UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2019

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 001-33582

SPARTAN MOTORS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Michigan	**38-2078923**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
41280 Bridge Street **Novi, Michigan**	**48375**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: **(517) 543-6400**

Securities registered pursuant to Section 12(b) of the Securities Exchange Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on which Registered
Common Stock, $.01 Par Value	**SPAR**	**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Securities Exchange Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant, based on the last sales price of such stock on NASDAQ Global Select Market on June 28, 2019, the last business day of the registrant's most recently completed second fiscal quarter: $372,242,152.

The number of shares outstanding of the registrant's Common Stock, $.01 par value, as of February 28, 2020: 35,427,976 shares

Documents Incorporated by Reference

Portions of the definitive proxy statement for the registrant's May 20, 2020 annual meeting of shareholders, to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2019 are incorporated by reference in Part III.

FORWARD-LOOKING STATEMENTS

This Form 10-K contains some statements that are not historical facts. These statements are called “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements involve important known and unknown risks, uncertainties and other factors and can be identified by phrases using “estimate,” “anticipate,” “believe,” “project,” “expect,” “intend,” “predict,” “potential,” “future,” “may,” “will,” “should” and similar expressions or words. Our future results, performance or achievements may differ materially from the results, performance or achievements discussed in the forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions (“Risk Factors”) that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Therefore, actual results and outcomes may materially differ from what may be expressed or forecasted in such forward-looking statements.

Risk Factors include the risk factors listed and more fully described in Item 1A below, “Risk Factors”, as well as risk factors that we have discussed in previous public reports and other documents filed with the Securities and Exchange Commission. The list in Item 1A below includes all known risks our management believes could materially affect the results described by forward-looking statements contained in this Form 10-K. However, these risks may not be the only risks we face. Our business, operations, and financial performance could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations. In addition, new Risk Factors may emerge from time to time that may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, although we believe that the forward-looking statements contained in this Form 10-K are reasonable, we cannot provide you with any guarantee that the anticipated results will be achieved. All forward-looking statements in this Form 10-K are expressly qualified in their entirety by the cautionary statements contained in this section and investors should not place undue reliance on forward-looking statements as a prediction of actual results. The Company undertakes no obligation to update or revise any forward-looking statements to reflect developments or information obtained after the date this Form 10-K is filed with the Securities and Exchange Commission.

PART I

Item 1. Business.

General

Spartan Motors, Inc. was organized as a Michigan corporation on September 18, 1975, and is headquartered in Novi, Michigan. As used herein, the term "Company", "we", "us" or "our" refers to Spartan Motors, Inc. and its subsidiaries unless designated or identified otherwise.

We are a niche market leader in specialty vehicle manufacturing and assembly for the commercial vehicle (including last-mile delivery, specialty service and vocation-specific upfit segments) and recreational vehicle industries. Our products include walk-in vans and truck bodies used in e-commerce/parcel delivery, upfit equipment used in the mobile retail and utility trades, luxury Class A diesel motor home chassis, military vehicles, and contract manufacturing and assembly services. We also supply replacement parts and offer repair, maintenance, field service and refurbishment services for the vehicles that we manufacture. Our operating activities are conducted through our wholly-owned operating subsidiary, Spartan Motors USA, Inc. ("Spartan USA"), with locations in Charlotte, Michigan; Ephrata, Pennsylvania; Pompano Beach, Florida; Bristol, Indiana; North Charleston, South Carolina; Kansas City, Missouri; Montebello, Carson, Union City and Roseville, California; Mesa, Arizona; Dallas and Weatherford, Texas; and Saltillo, Mexico.

Our vehicles, parts and services are sold to commercial users, original equipment manufacturers (OEMs), dealers, individual end users, and municipalities and other governmental entities. Our product portfolio gives us access to multiple differentiated markets and corresponding customer bases which help to mitigate the impact of business cycles. Our diversification across several sectors provides numerous opportunities while reducing overall risk as the various markets we serve tend to have different cyclicality. We have an innovative team focused on building lasting relationships with our customers by designing and delivering market leading specialty vehicles, vehicle components, and services. Additionally, our business structure provides the agility to quickly respond to market needs, take advantage of strategic opportunities when they arise and correctly size and scale operations to ensure stability and growth. Our expansion of equipment upfit services in our Fleet Vehicles and Services segment, and the growing opportunities that we have capitalized on in last mile delivery as a result of the rapidly changing e-commerce market, are excellent examples of our ability to generate growth and profitability by quickly fulfilling customer needs.

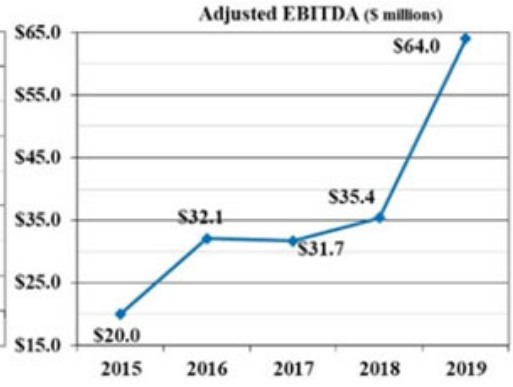
Acquisition of Royal Truck Body

On September 9, 2019, the Company completed the acquisition of Fortress Resources, LLC D/B/A Royal Truck Body ("Royal") for $89.4 million in cash, subject to certain post-closing adjustments. Royal is a leading California-based designer, manufacturer and installer of service truck bodies and accessories. Royal manufactures and assembles truck body options for various trades, service truck bodies, stake body trucks, contractor trucks, and dump bed trucks. Royal is the largest service body company in the western United States with its principal facility in Carson, California. Royal has additional manufacturing, assembly, and service space in branch locations in Union City and Roseville, California; Mesa, Arizona; and Dallas and Weatherford, Texas. This acquisition allows us to quickly expand our footprint in the western United States supporting our strategy of coast-to-coast manufacturing and distribution. Royal is part of our Specialty Chassis and Vehicle segment. See "Note 3 – *Acquisition Activities*" of the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further discussion of this transaction.

Divestiture of the Emergency Response and Vehicle Business

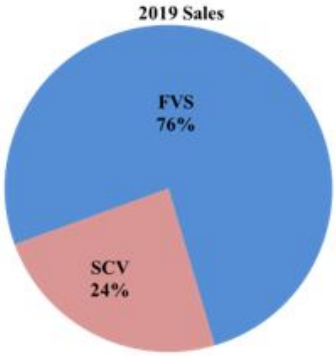
On February 1, 2020, the Company completed the sale of its Emergency Response and Vehicle ("ERV") business for $55 million in cash, subject to certain post-closing adjustments. The ERV business consisted of the emergency response cab-chassis and apparatus operations in Charlotte, Michigan, and the Spartan apparatus operations in Brandon, South Dakota; Snyder and Neligh, Nebraska; and Ephrata, Pennsylvania. The divestiture will allow us to further focus on accelerating growth and profitability in our commercial, fleet, delivery and specialty vehicles markets. As a result of this divestiture, the ERV business is accounted for as a discontinued operation for all periods presented. See "Note 2 – *Discontinued Operations*" of the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further discussion of this transaction.

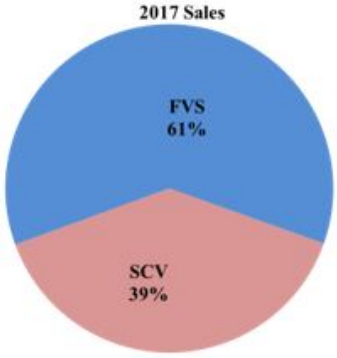
Unless noted otherwise, the data in this Form 10-K reflects our continuing operations and, therefore, excludes the performance of our prior ERV business. Over the past five years our sales have increased by $399.3 million, a compound annual growth rate (CAGR) of 20.6%, while income (loss) from continuing operations and adjusted EBITDA have grown by $36.7 million and $44.0 million, respectively. Please see the reconciliation of income (loss) from continuing operations to adjusted EBITDA below.



Our Segments

We identify our reportable segments based on our management structure and the financial data utilized by our chief operating decision maker to assess segment performance and allocate resources among our operating units. We have two reportable segments: Fleet Vehicles and Services ("FVS") and Specialty Chassis and Vehicles (“SCV”). For certain financial information related to each segment, see "Note 18 – *Business Segments*" of the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K. Sales by segment is as follows:





Fleet Vehicles and Services Segment

We manufacture commercial vehicles used in the e-commerce/last mile/parcel delivery, beverage and grocery delivery, laundry and linen, mobile retail, and trades and construction industries through our Bristol, Indiana; Ephrata, Pennsylvania; North Charleston, South Carolina; Charlotte, Michigan and Montebello, California locations. Our commercial vehicles are marketed under the Utilimaster brand name, which serves a diverse customer base and sells aftermarket parts and accessories for walk-in vans and other delivery vehicles. We also provide vocation-specific equipment upfit services, which are marketed and sold under the Utilimaster Upfit Services and Strobes-R-Us go-to-market brands, through our manufacturing operations in Kansas City, Missouri; North Charleston, South Carolina; Pompano Beach, Florida; and Saltillo, Mexico. Our Fleet Vehicles and Services segment employed 2,097 associates as of December 31, 2019, of which 838 were contracted associates.

We offer fleet vehicles in class 1 through 7, the largest range of product offerings among our competitors.

Class 1

Class 2

Class 3

Class 4

Class 5

Class 6

Class 7

Innovation

Our “Solution Experts” employ a customer-centric approach by working with customers through a process of listening and learning, needs assessment, and design innovation through building and implementing solutions custom designed for our customers. Recent innovations implemented by our Solution Experts include innovative and cost saving solutions for the specialty service segment, utility industry, food and beverage delivery, and mobile retail industry, such as safe loading equipment, keyless entry systems, backup camera systems, and refrigeration solutions. Our teams can deliver product customization ranging from out-of-the-box to 100% custom solutions.

Products

Walk-in Vans
Assembled on a “stripped” truck chassis supplied with engine and drive train components, but without a cab, our walk-in vans are used in the parcel delivery, mobile retail and construction trades industries and feature a durable and lightweight aluminum body with a highly modular cargo area accessible from the cab. Our walk-in vans offer low step-in height for easy entry and exit and the best driver visibility in the industry.

Truck Bodies
Our truck bodies are the industry standard for heavy-duty commercial delivery and are installed on chassis from a variety of manufacturers that are supplied with a finished cab. They feature a highly customizable cargo area for maximum versatility and are manufactured with anti-rust galvanized steel and aluminum. Available with cargo lengths from 10 to 28 feet and interior heights ranging from 72 to 108 inches.

Reach®
The Reach is a smaller, more nimble walk-in van. Built on an Isuzu chassis, which has been electrified by Cummings and available in lengths of 12 or 14 feet, the Reach offers a versatile cargo area with integrated logistics tracks allowing for a tailored upfit through either pre-designed vocational or completely custom packages.

Cutaway
Our cutaway truck bodies are the industry standard for medium-duty commercial delivery and are installed on chassis from a variety of manufacturers that are supplied with a finished cab. The innovative cab can be designed to fit as many as five crew members and can be configured with a set-back walk-through bulkhead allowing access to the cargo area from the cab. Available with cargo lengths from 10 to 18 feet and interior heights ranging from 72 to 90 inches.

Velocity®
A productive, efficient and ergonomically designed walk-in van designed to make large product/package deliveries easy, with lower entry/exit height and 3-point grab rails at side and rear doors. Economical to operate with a cost of ownership about half that of a traditional walk-in van.

Specialty Upfit
We install specialty interior and exterior upfit equipment for walk-in vans, truck bodies and passenger vans for added safety, cargo handling efficiency, and vocational functionality.

Parts and Accessories
We provide a full line of parts and accessories for our walk-in vans and truck bodies.

Marketing

We market our commercial vehicles, including walk-in vans, cutaway vans and truck bodies, under the Aeromaster®, Velocity, Ultimate, Trademaster®, Metromaster®, Utilivan®, Utilimaster Upfit Services and Reach brand names. We sell our fleet vehicles to leasing companies, national and fleet accounts (national accounts typically have 1,000+ vehicle fleets and fleet accounts typically have 100+ vehicle fleets), and through a network of independent truck dealers in the U.S. and Canada. We also market our truck bodies direct to retail customers in select markets. We provide aftermarket support, including parts sales and field service, to all of our fleet vehicle customers through our Customer Service Department located in Bristol, Indiana, which maintains the only online parts resource among the major delivery vehicle manufacturers. Except in limited circumstances, we do not provide financing to dealers or, fleet or national accounts. We maintain multi-year supply agreements with certain key fleet customers in the parcel and linen/uniform rental industries.

Manufacturing

We are implementing the Spartan Production System, lean manufacturing and continuous improvement to all of our fleet vehicle operations in order to maximize efficiency and reduce costs. We manufacture walk-in vans at our Bristol, Indiana facility and truck bodies at our Ephrata, Pennsylvania; Montebello, California; and Charlotte, Michigan facilities. We have dedicated facilities at Kansas City, Missouri; North Charleston, South Carolina; Pompano Beach, Florida; and Saltillo, Mexico aligned with our commercial and OEM customers for the installation of upfit equipment. Our walk-in vans and truck bodies are manufactured on non-automated assembly lines utilizing a combination of high- and low-skilled tradespeople and assemblers. Our upfit facilities utilize teams of workers requiring minimal capital investment for efficient and timely installation of a variety of equipment.

Specialty Chassis and Vehicles Segment

Our Specialty Chassis and Vehicles segment operates out of our Charlotte, Michigan facility where we engineer and manufacture luxury Class A diesel motor home chassis, manufacture our Reach walk-in van, provide contract assembly of defense vehicles and specialty vehicles and other commercial vehicles, and distribute related aftermarket parts and accessories. Our specialty vehicle products are manufactured to customer specifications upon receipt of confirmed purchase orders. As a specialty chassis and vehicle manufacturer, we believe we hold a unique position for continued growth due to the high quality and performance of our products, our engineering reaction time, manufacturing expertise and flexibility, and the scalability of our operations. Our specialty vehicle products are generally sold through original equipment manufacturers in the case of chassis and vehicles and to dealer distributors or directly to consumers for aftermarket parts and accessories. In addition, beginning in September 2019 with our acquisition of Royal, the Specialty Chassis and Vehicles segment includes operations in Carson, Union City and Roseville, California; Mesa, Arizona; and Dallas and Weatherford, Texas. Royal is a leading California-based designer, manufacturer and installer of service truck bodies and accessories. The Specialty Chassis and Vehicles segment employed 551 associates as of December 31, 2019, of which 116 were contracted associates.

Innovation

We promote effective communication through trade shows and motor home rallies with a wide variety of motor home owners to identify needs and bring our customers the latest technology and highest quality in our motor home and specialty chassis. Over the past few years, we have introduced innovations on our motor home chassis, including: custom tuned suspensions, independent front suspension, and passive steer tag axle that greatly improve ride, handling and maneuverability; adaptive cruise control, collision mitigation, electronic stability control and lane departure warning to improve safety; and automatic air leveling that adds convenience and functionality to top line motor homes.

Products

Motor Home Chassis

We custom manufacture diesel chassis for luxury Class A motor homes to the individual specifications of our motor home OEM customers through our Spartan USA subsidiary. These specifications vary based on specific interior and exterior design specifications, power requirements, horsepower, and electrical needs of the motor home bodies to be attached to the Spartan chassis. Our motor home chassis feature diesel engines of 360 to 605 horsepower and are used in motor homes ranging from 37 to 45 feet. Our motor home chassis are separated into four models: the K1, K2, K3, and K4 series chassis.

Isuzu N-gas and F-series

We provide final assembly services for Isuzu N-gas and F-series chassis for the North American market. These class 3 and class 5 chassis are utilized in a variety of final configurations for light duty freight hauling and industrial uses. We have a low-cost structure and a highly skilled team of assembly workers, which, along with a dedication to lean manufacturing and continuous improvement allow us to deliver superior value in contract manufacturing.

Service Truck Bodies

We manufacture and assemble truck body options for a variety of trades, service truck bodies, stake body trucks, contractor trucks and dump bed trucks.

Defense and Specialty Chassis and Vehicles

We partner with a variety of OEM customers to provide chassis and complete vehicle assembly for military vehicles, drill rigs, shuttle bus chassis and other specialty chassis and vehicles.

Parts and Accessories

We provide a full line of parts and accessories for our motor home, defense and specialty chassis as well as maintenance and repair services for our motor home and specialty chassis.

Marketing

We sell our Class A diesel motor home chassis to OEM manufacturers for use in construction of premium motor homes. We actively participate in a variety of trade shows and motor home rallies that promote our products and aftermarket parts and services in addition to providing an opportunity to communicate with our end customers to showcase Spartan's latest innovations and identify needs and opportunities for continuous improvement of our chassis.

Manufacturing

Our motor home chassis and specialty manufacturing operations benefit from implementing the Spartan Production System, lean manufacturing and continuous improvement to bring efficiency and cost reduction throughout our Specialty Chassis and Vehicles segment. We manufacture motor home chassis, drill rigs, military vehicles and specialty bus chassis on non-automated assembly lines. We assemble Isuzu N-gas and F-series chassis on high-volume assembly lines that utilize a variety of state-of-the-art automation and testing equipment.

Competition

The principal methods we use to build competitive advantages include short engineering reaction time, custom design capability, high product quality, superior customer service and quick delivery. We employ a solutions-based approach to offer specialized products tailored to customer needs across the spectrum of our products. We compete with companies that manufacture for similar markets, including some divisions of large diversified organizations that have total sales and financial resources exceeding ours. Our competition in the fleet vehicle market ranges from one large manufacturer in the walk-in van market to a number of smaller manufacturers in the truck body and equipment upfit markets. Our competitors in the specialty vehicle market are principally large multi-product line manufacturers of specialty and heavy-duty vehicles.

Suppliers

We are dedicated to establishing long-term and mutually beneficial relationships with our suppliers. Through these relationships, we benefit from new innovations, higher quality, reduced lead times, smoother/faster manufacturing ramp-up of new vehicle introductions and lower total costs of doing business. Our accelerating growth and company-wide supply chain management initiatives allow us to benefit from economies of scale and maximize to focus on a common vision.

The single largest commodity directly utilized in production is aluminum, which we purchase under purchase agreements based on forecasted production requirements. To a lesser extent we are dependent upon suppliers of lumber, fiberglass and steel for our manufacturing. We have initiated long-term supplier agreements and are consolidating suppliers where beneficial to gain pricing advantages. There are several readily available sources for the majority of these raw materials. However, we are heavily dependent on specific component part products from a few single source vendors. We maintain a qualification, on-site inspection, assistance, and performance measurement system to control risks associated with reliance on suppliers. We normally do not carry inventories of such raw materials or components in excess of those reasonably required to meet production and shipping schedules. Material and component cost increases are passed on to our customers whenever possible. There can be no assurance that there will not be any supply issues over the long-term.

In the assembly of our fleet vehicles, we use chassis supplied by third parties, and generally do not purchase these chassis for inventory. For this market, we typically accept shipment of truck chassis owned by dealers or end users, for the purpose of installing and/or manufacturing our specialized commercial vehicles on such chassis, but from time to time we do purchase chassis for use in fulfilling certain customer orders.

Research and Development

Our success depends on our ability to innovate and add new products and features ahead of changing market demands and new regulatory requirements. Thus, we emphasize research and development and commit significant resources to develop and adapt new products and production techniques. Our engineering team of nearly 100 technical professionals is looking past "current practices" and "best practices" to deliver "next practices" for our customers and shareholders. Our engineering group is organized as a unified team serving one goal throughout the company: to deliver world class products and manufacturing processes regardless of product line or location, a concept that we refer to as "One Spartan Engineering". The team balances the synergies of One Spartan Engineering with fully integrated teams dedicated to product line specialization. Results are accomplished with the appropriate blend of predictive analysis and physical property testing in our Research and Development facilities along with ride-and-drive analysis. Our efforts range from executing special orders for current production; to new production development for new functionality and product improvements; to exciting technologies that are new to the markets we serve, like vehicle electrification. Our engineering actions are driven by our firm commitment to safety, quality, delivery, and productivity. We spent $4.9 million, $3.7 million and $3.6 million on research and development in 2019, 2018, and 2017, respectively.

Product Warranties

We provide limited warranties against assembly and construction defects. These warranties generally provide for the replacement or repair of defective parts or workmanship for specified periods, ranging from one year to twenty years, following the date of sale. With the use of validation testing, predictive analysis tools and engineering and design standards, we strive to continuously improve product quality and durability, and reduce our exposure to warranty claims. The end users also may receive limited warranties from suppliers of components that are incorporated into our chassis and vehicles. For more information concerning our product warranties, see "Note 12 – *Commitments and Contingent Liabilities*" of the Notes to Consolidated Financial Statements appearing in this Form 10-K.

Patents, Trademarks and Licenses

We have 23 United States patents, which include rights to the design and structure of chassis and certain peripheral equipment and we have 14 pending patent applications in the United States. The existing patents will expire on various dates from 2020 through 2033 and all are subject to payment of required maintenance fees. We also own 109 federal, state and international trademark and service mark registrations. The trademark and service mark registrations are generally renewable under applicable laws, subject to payment of required fees and the filing of affidavits of use. In addition, we have various pending trademark applications.

We believe our products are identified by our trademarks and that our trademarks are valuable assets to both of our business segments. We are not aware of any infringing uses or any prior claims of ownership of our trademarks that could materially affect our business. It is our policy to pursue registration of our primary marks whenever possible and to vigorously defend our patents, trademarks and other proprietary marks against infringement or other threats to the greatest extent practicable under applicable laws.

Environmental Matters

Compliance with federal, state and local environmental laws and regulations has not had, nor is it expected to have, a material effect on our capital expenditures, earnings or competitive position.

Spartan believes in the preservation of the environment because it leads to a safer, healthier world for today and in the future. In addition to the various product offerings provided by Spartan, alternative fuel specialty vehicles are offered to help reduce pollutant emissions. Spartan also subscribes to environmentally conscious manufacturing practices while working to obtain ISO 14001 certification for some locations by the end of 2020, and other locations in 2021, and strongly encourages its suppliers to have similar manufacturing philosophies. Spartan recycles waste in many aspects of our daily operations and in the office.

Associates

We employed 2,724 associates as of December 31, 2019 in our continuing operations, substantially all of which are full-time, including 956 contracted associates. Management considers its relations with associates to be positive. Our production processes employ a combination of high- and low-skilled tradespeople and assemblers involved in body, electrical, mechanical, paint, and assembly operations.

Customer Base

We serve customers ranging from municipalities to OEMs to commercial customers and vehicle dealers throughout our product lines. Sales to our top 10 customers in 2019 accounted for 68.1% of our sales. Sales to customers that individually exceeded 10% of our consolidated sales for 2019, 2018 and 2017 are detailed in the chart below.

Year	Customer	Sales ($ millions)	Percentage of consolidated sales	Segment
2019	Amazon	$ 173.0	22.9%	FVS
2019	USPS	$ 113.8	15.0%	FVS
2018	USPS	$ 81.7	14.3%	FVS
2018	Jayco, Inc.	$ 73.4	12.9%	SCV
2018	Newmar Corporation	$ 70.5	12.4%	SCV
2018	Isuzu	$ 69.1	12.1%	FVS and SCV
2017	Jayco, Inc.	$ 64.9	16.0%	SCV
2017	Newmar Corporation	$ 53.6	13.3%	SCV

We do have other significant customers which, if the relationship changes significantly, could have a material adverse impact on our financial position and results of operations. We believe that we have developed strong relationships with our customers and continually work to develop new customers and markets. See related risk factors in Item 1A of this Form 10-K.

Sales to customers outside the United States were $21.4 million, $21.2 million and $13.4 million for the years ended December 31, 2019, 2018 and 2017, respectively, or 2.8%, 3.7% and 3.3%, respectively, of sales for those years. All of our long-lived assets are located in the United States.

Order Backlog

Our order backlog by reportable segment is summarized in the following table (in thousands).

	December 31, 2019	December 31, 2018	Increase/(decrease)
FVS	$ 305,876	$ 218,775	$ 87,101
SCV	30,734	37,656	(6,922)
Total consolidated	$ 336,610	$ 256,431	$ 80,179

Our FVS backlog increased by $87.1 million, or 39.8%, driven by new orders for walk-in vans offset by the build out of the USPS contract that originated in 2017. Our SCV segment backlog decreased by $6.9 million, or 18.4%, due to a reduction in Class A diesel motor home market demand.

While orders in the backlog are subject to modification, cancellation or rescheduling by customers, this has not been a major factor in the past. Although the backlog of unfilled orders is one of many indicators of market demand, several factors, such as changes in production rates, available capacity, new product introductions and competitive pricing actions, may affect actual sales. Accordingly, a comparison of backlog from period-to-period is not necessarily indicative of eventual actual shipments.

Non-GAAP Financial Measure

This report contains adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), which is a non-GAAP financial measure. This non-GAAP measure is calculated by excluding items that we believe to be infrequent or not indicative of our continuing operating performance. In the fourth quarter of 2019, in connection with the divestiture of our ERV business, we refined the definition of adjusted EBITDA as income from continuing operations before interest, income taxes, depreciation and amortization, as adjusted to eliminate the impact of restructuring charges, acquisition related expenses and adjustments, non-cash stock-based compensation expenses, and other gains and losses not reflective of our ongoing operations. Adjusted EBITDA for all prior years presented has been recast to conform to the current presentation.

We present the non-GAAP measure adjusted EBITDA because we consider it to be an important supplemental measure of our performance. The presentation of adjusted EBITDA enables investors to better understand our operations by removing items that we believe are not representative of our continuing operations and may distort our longer-term operating trends. We believe this measure to be useful to improve the comparability of our results from period to period and with our competitors, as well as to show ongoing results from operations distinct from items that are infrequent or not indicative of our continuing operating performance. We believe that presenting this non-GAAP measure is useful to investors because it permits investors to view performance using the same tools that management uses to budget, make operating and strategic decisions, and evaluate our historical performance. We believe that the presentation of this non-GAAP measure, when considered together with the corresponding GAAP financial measures and the reconciliations to that measure, provides investors with additional understanding of the factors and trends affecting our business than could be obtained in the absence of this disclosure.

Our management uses adjusted EBITDA to evaluate the performance of and allocate resources to our segments. Adjusted EBITDA is also used, along with other financial and non-financial measures, for purposes of determining annual and long-term incentive compensation for our management team.

The following table reconciles Income from continuing operations to Adjusted EBITDA for the periods indicated.

	2019	2018	2017	2016	2015
Income from continuing operations	$ 36,790	$ 18,116	$ 17,471	$ 18,273	$ 149
Net (income) loss attributable to non-controlling interest	(140)	-	1	7	-
Interest expense	1,839	1,080	864	410	365
Income tax	10,355	3,334	2,382	6,645	13,366
Depreciation and amortization	6,073	6,214	6,032	5,215	4,959
Restructuring and other related charges	316	662	798	-	-
Acquisition related expenses and adjustments	3,531	1,952	588	14	-
Non-cash stock-based compensation expense	5,281	4,027	3,536	1,536	1,198
Adjusted EBITDA	$ 64,045	$ 35,385	$ 31,672	$ 32,100	$ 20,037

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports (and amendments thereto) filed or furnished pursuant to Section 13(a) of the Securities Exchange Act are available, free of charge, on our internet website (www.SpartanMotors.com) as soon as reasonably practicable after we electronically file or furnish such materials with the Securities and Exchange Commission ("SEC").

The public may read and copy materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Item 1A. Risk Factors.

Our financial condition, results of operations and cash flows are subject to various risks, many of which are not exclusively within our control that may cause actual performance to differ materially from historical or projected future performance. The risks described below are the risks known to us that we believe could materially affect our business, financial condition, results of operations, or cash flows. However, these risks may not be the only risks we face. Our business could also be affected by additional factors that are not presently known to us, factors we currently consider to be immaterial to our operations, or factors that emerge as new risks in the future.

General economic, market, and/or political conditions, whether on a global, national, or more regional scale, could have a negative effect on our business.

Concerns regarding acts of terrorism, armed conflicts, natural disasters, budget shortfalls, cyber events, civil unrest, governmental actions, and epidemics have in the past and could in the future create significant uncertainties that may have material and adverse effects on consumer demand (particularly the specialty and motor home markets), shipping and transportation, the availability of manufacturing components, commodity prices and our ability to engage in overseas markets as tariffs are implemented. An economic recession, whether resulting from one of these events or others, would have a material adverse impact on our financial condition and results of operations.

Our efforts to remediate a material weakness in our internal control over financial reporting may not be as effective as we currently expect and, in any event, will result in increased costs in the short-term.

As disclosed under Item 9A of this Annual Report on Form 10-K, our management concluded that our internal control over financial reporting was not effective as of December 31, 2019 due to a material weakness in our internal control over financial reporting. As disclosed in more detail in Item 9A below, the material weakness relates to our processes for recognizing revenue within our FVS business unit.

By definition, a material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. We have concluded that our consolidated financial statements included within this Form 10-K present fairly, in all material respects, our financial position, results of operations, and cash flows for the periods presented, in conformity with GAAP. However, if not effectively and timely corrected, the deficiencies noted in our assessment of the effectiveness of our internal controls as of December 31, 2019 present the risk that future financial statements could contain a material misstatement.

We have already started to implement efforts to remediate these deficiencies and expect that the remediation of this material weakness will be completed prior to the end of fiscal 2020. However, if our remediation efforts take longer than expected or are more difficult to implement than expected, we continue to run the risk of a misstatement of our financial statements. And, even if our remediation efforts are effective, they will result in certain increased costs and expenses, which will negatively impact our near-term financial performance.

The integration of businesses or assets we have acquired or may acquire in the future involves challenges that could disrupt our business and harm our financial condition.

As part of our growth strategy, we have pursued and expect we will continue to selectively pursue, acquisitions of businesses or assets in order to diversify, expand our capabilities, enter new markets, or increase our market share. Integrating any newly acquired business or assets can be expensive and can require a great deal of management time and other resources. If we are unable to successfully integrate the newly acquired businesses with our existing business, we may not realize the synergies we expect from the acquisition and our business and results of operations may be adversely impacted.

The divestiture of our emergency response business could negatively impact our future financial performance.

Effective February 1, 2020, we completed the sale of our Emergency Response and Vehicle ("ERV") business. Certain aspects of the ERV business were integrated with our continuing operations, including certain information technology, purchasing, human resources, and finance functions and certain physical operations at our Charlotte, Michigan facility. The full separation of the ERV business from our continuing operations and the transition of all aspects of that business to the buyer is expected to take 12 months or more. We expect to incur additional costs and expenses to complete the transition of that business, and we also expect the full separation and transition of that business to divert resources, including certain of our personnel and management resources, away from our continuing operations. Significant systems separation is required to clone, test, cleanse data and support the applications for both the purchaser and our future business during the Transitional Services Agreement. All of these activities represent risk to the ongoing business as well as divert IT resources during this process. In addition, as is generally the case with the sale of a business, we could incur exposure to claims from the purchaser of the ERV business pursuant to the terms and conditions of the purchase agreement. One or more of these matters could have a negative impact on our future financial performance.

Re-configuration or relocation of our production operations could negatively impact our earnings.

We may, from time to time, re-configure our production lines or relocate production of products between buildings or locations or to new locations in order to maximize the efficient utilization of our existing production capacity or take advantage of opportunities to increase manufacturing efficiencies. Costs incurred to effect these re-configurations or re-locations may exceed our estimates, and efficiencies gained may be less than anticipated, each of which may have a negative impact on our results of operations and financial position.

Disruptions within our dealer network could adversely affect our business.

We rely, for certain of our products, on a network of independent dealers to market, deliver, provide training for, and service our products to and for customers. Our business is influenced by our ability to initiate and manage new and existing relationships with dealers.

From time to time, we or an individual dealer may choose to terminate the relationship, or the dealership could face financial difficulty leading to failure or difficulty in transitioning to new ownership. In addition, our competitors could engage in a strategy to attempt to acquire or convert our dealers to carry their products. We do not believe our business is dependent on any single dealer, the loss of which would have a sustained material adverse effect upon our business.

However, disruption of dealer coverage within a specific local market could have an adverse impact on our business within the affected market. The loss or termination of a significant number of dealers could cause difficulties in marketing and distributing our products and have an adverse effect on our business, operating results or financial condition. In the event that a dealer in a strategic market experiences financial difficulty, we may choose to provide financial support such as extending credit to a dealership, reducing the risk of disruption, but increasing our financial exposure.

We may not be able to successfully implement and manage our growth strategy.

Our growth strategy includes expanding existing market share through product innovation, continued expansion into industrial and global markets and merger or acquisition related activities. We believe our future success depends in part on our research and development and engineering efforts, our ability to manufacture or source the products and customer acceptance of our products. As it relates to new markets, our success also depends on our ability to create and implement local supply chain, sales and distribution strategies to reach these markets.

The potential inability to successfully implement and manage our growth strategy could adversely affect our business and our results of operations. The successful implementation of our growth strategy will depend, in part, on our ability to integrate operations with acquired companies.

Our efforts to grow our business in emerging markets are subject to all of these risks plus additional, unique risks. In certain markets, the legal and political environment can be unstable and uncertain which could make it difficult for us to compete successfully and could expose us to liabilities.

We also make investments in new business development initiatives which, like many startups, could have a relatively high failure rate. We limit our investments in these initiatives and establish governance procedures to contain the associated risks, but losses could result and may be material. Our growth strategy also may involve acquisitions, joint venture alliances and additional arrangements of distribution. We may not be able to enter into acquisitions or joint venture arrangements on acceptable terms, and we may not successfully integrate these activities into our operations. We also may not be successful in implementing new distribution channels, and changes could create discord in our existing channels of distribution.

Increased costs, including costs of raw materials, component parts and labor costs, potentially impacted by changes in labor rates and practices and/or new or increased tariffs or similar restrictions, could reduce our operating income.

Our results of operations may be significantly affected by the availability and pricing of manufacturing components and labor, changes in labor rates and practices, and increases in tariffs or similar restrictions on materials we import. Increases in costs of raw materials used in our products could affect the cost of our supply materials and components, as rising steel and aluminum prices as well as increased tariffs have impacted the cost of certain of our manufacturing components. Although we attempt to mitigate the effect of any escalation in components, labor costs, and tariffs by negotiating with current or new suppliers and by increasing productivity or, where possible, by increasing the sales prices of our products, we cannot be certain that we will be able to do so without it having an adverse impact on the competitiveness of our products and, therefore, our sales volume. If we cannot successfully offset increases in our manufacturing costs, this could have a material adverse impact on our margins, operating income and cash flows. Our profit margins may decrease if prices of purchased component parts, labor rates, and/or tariffs increase, and we are unable to pass on those increases to our customers. Even if we were able to offset higher manufacturing costs by increasing the sales prices of our products, the realization of any such increases often lags the rise in manufacturing costs, especially in our operations, due in part to our commitment to give our customers and dealers price protection with respect to previously placed customer orders.

Disruption of our supply base could affect our ability to obtain component parts.

We increasingly rely on component parts from global sources in order to manufacture our products. Disruption of this supply base due to international political events, natural disasters, the recent outbreak of coronavirus or other factors could affect our ability to obtain component parts at acceptable prices, or at all, and have a negative impact on our sales, results of operations and financial position.

When we introduce new products, we may incur expenses that we did not anticipate, such as recall expenses, resulting in reduced earnings.

The introduction of new products is critical to our future success. We have additional costs when we introduce new products, such as initial labor or purchasing inefficiencies, but we may also incur unexpected expenses. For example, we may experience unexpected engineering or design issues that will force a recall of a new product or increase production costs of the product above levels needed to ensure profitability. In addition, we may make business decisions that include offering incentives to stimulate the sales of products not adequately accepted by the market, or to stimulate sales of older or less marketable products. The costs resulting from these types of problems could be substantial and have a significant adverse effect on our earnings.

Any negative change in our relationship with our major customers could have significant adverse effects on revenues and profits.

Our financial success is directly related to the willingness of our customers to continue to purchase our products. Failure to fill customers' orders in a timely manner or on the terms and conditions they may impose could harm our relationships with our customers. The importance of maintaining excellent relationships with our major customers may also give these customers leverage in our negotiations with them, including pricing and other supply terms, as well as post-sale disputes. This leverage may lead to increased costs to us or decreased margins. Furthermore, if any of our major customers experience a significant downturn in their business or fail to remain committed to our products or brands, then these customers may reduce or discontinue purchases from us, which could have an adverse effect on our business, results of operations and financial condition. There were two customers that accounted for 10 percent or greater of consolidated sales in 2019.

We depend on a small group of suppliers for some of our components, and the loss of any of these suppliers could affect our ability to obtain components at competitive prices, which would decrease our sales or earnings.

Most chassis and specialty vehicle commodity components are readily available from a variety of sources. However, a few proprietary or specialty components are produced by a small group of suppliers.

In addition, we generally do not purchase chassis for our delivery vehicles. Rather, we accept shipments of vehicle chassis owned by dealers or end-users for the purpose of installing and/or manufacturing our specialized truck bodies on such chassis. There are four primary sources for commercial chassis, and we have established relationships with all major chassis manufacturers.

Changes in our relationships with these suppliers, shortages, production delays or work stoppages by the employees of such suppliers could have a material adverse effect on our ability to timely manufacture our products and secure sales. If we cannot obtain an adequate supply of components or commercial chassis, this could result in a decrease in our sales and earnings.

Changes to laws and regulations governing our business could have a material impact on our operations.

Our manufactured products and the industries in which we operate are subject to extensive federal and state regulations. Changes to any of these regulations or the implementation of new regulations could significantly increase the costs of manufacturing, purchasing, operating or selling our products and could have a material adverse effect on our results of operations. Our failure to comply with present or future regulations could result in fines, potential civil and criminal liability, suspension of sales or production, or cessation of operations.

Certain U.S. tax laws currently afford favorable tax treatment for financing the purchase of recreational vehicles that are used as the equivalent of second homes. These laws and regulations have historically been amended frequently, and it is likely that further amendments and additional regulations will be applicable to us and our products in the future. Amendments to these laws and regulations and the implementation of new regulations could have a material adverse effect on our results of operations.

Our operations are subject to a variety of federal and state environmental regulations relating to noise pollution and the use, generation, storage, treatment, emission and disposal of hazardous materials and wastes. Although we believe that we are currently in material compliance with applicable environmental regulations, our failure to comply with present or future regulations could result in fines, potential civil and criminal liability, suspension of production or operations, alterations to the manufacturing process, costly cleanup or capital expenditures.

Our operating results may fluctuate significantly on a quarter-to-quarter basis.

Our quarterly operating results depend on a variety of factors including the timing and volume of orders, the completion of product inspections and acceptance by our customers, and various restructuring initiatives that may be undertaken from time to time. In addition, our Fleet Vehicles and Services segment experiences seasonality whereby product shipments in the first and fourth quarters are generally lower than other quarters as a result of the busy holiday delivery operations experienced by some of its largest customers. Accordingly, our financial results may be subject to significant and/or unanticipated quarter-to-quarter fluctuations.

Our businesses are cyclical, and this can lead to fluctuations in our operating results.

The industries in which we operate are highly cyclical and there can be substantial fluctuations in our manufacturing, shipments and operating results, and the results for any prior period may not be indicative of results for any future period. Companies within these industries are subject to volatility in operating results due to external factors such as economic, demographic and political changes. Factors affecting the manufacture of chassis, specialty vehicles, delivery vehicles and other of our products include but are not limited to:

- Commodity prices;
- Fuel availability and prices.
- Unemployment trends;
- International tensions and hostilities;
- General economic conditions;
- Various tax incentives;
- Strength of the U.S. dollar compared to foreign currencies;
- Overall consumer confidence and the level of discretionary consumer spending;
- Dealers’ and manufacturers’ inventory levels; and
- Interest rates and the availability of financing.

Economic, legal and other factors could impact our customers’ ability to pay accounts receivable balances due from them.

In the ordinary course of business, customers are granted terms related to the sale of goods and services delivered to them. These terms typically include a period between when the goods and services are tendered for delivery to the customer and when the customer needs to pay for these goods and services. The amounts due under these payment terms are listed as accounts receivable on our balance sheet. Prior to collection of these accounts receivable, our customers could encounter drops in sales, unexpected increases in expenses, or other factors which could impact their ability to continue as a going concern and which could affect the collectability of these amounts. Writing off uncollectible accounts receivable could have a material adverse effect on our earnings and cash flow as we have major customers with material accounts receivable balances at any given time.

Our business operations could be disrupted if our information technology systems fail to perform adequately or experience a security breach.

We rely on our information technology systems to effectively manage our business data, communications, supply chain, product engineering, manufacturing, accounting and other business processes. While we believe we have robust processes in place to protect our information technology systems, if these systems are damaged, cease to function properly or are subject to a cyber-security breach such as ransomware, phishing, infection with viruses or intentional attacks aimed at theft or destruction of sensitive data, we may suffer an interruption in our ability to manage and operate the business, and our results of operations and financial condition may be adversely affected.

Like most corporations, our information systems are a target of attacks. In addition, third-party providers of data hosting or cloud services, as well as our suppliers, may experience cyber-security incidents that may involve data we share with them. Although the incidents that we have experienced to date have not had a material effect on our business, financial condition or results of operations, there can be no assurance that such incidents will not have a material adverse effect on us in the future. In order to address risks to our information systems, we continue to make investments in personnel, technologies and training of personnel.

Implementing new information systems could interfere with our business or operations.

We are in the process of implementing new information systems infrastructure and applications that impact multiple locations. These projects require significant investment of capital and human resources, the re-engineering of many processes of our business, and the attention of many associates and managers who would otherwise be focused on other aspects of our business. Should the systems not be implemented successfully, we may incur impairment charges that could materially impact our financial results. If the systems do not perform in a satisfactory manner once implementation is complete, our business and operations could be disrupted and our results of operations negatively affected, including our ability to report accurate and timely financial results.

Risks associated with international sales and contracts could have a negative effect on our business.

In 2019, 2018 and 2017 we derived 2.8%, 3.7% and 3.3% of our revenue from sales to, or related to, end customers outside the United States. We face numerous risks associated with conducting international operations, any of which could negatively affect our financial performance, including changes in foreign country regulatory requirements, the strength of the U.S. dollar compared to foreign currencies, import/export restrictions, the imposition of foreign tariffs and other trade barriers and disruptions in the shipping of exported products.

Additionally, as a U.S. corporation, we are subject to the Foreign Corrupt Practices Act, which may place us at a competitive disadvantage to foreign companies that are not subject to similar regulations.

Fuel shortages, or higher prices for fuel, could have a negative effect on sales.

Gasoline or diesel fuel is required for the operation of the specialty vehicles we manufacture. There can be no assurance that the supply of these petroleum products will continue uninterrupted, that rationing will not be imposed or that the price of or tax on these petroleum products will not significantly increase in the future. Increases in gasoline and diesel prices and speculation about potential fuel shortages have had an unfavorable effect on consumer demand for motor homes from time to time in the past and may continue to do so in the future. This, in turn, may have a material adverse effect on our sales volume. Increases in the price of oil also can result in significant increases in the price of many of the components in our products, which may have an adverse impact on margins or sales volumes.

We could incur asset impairment charges for goodwill, intangible assets or other long-lived assets.

We have a significant amount of goodwill, intangible assets and other long-lived assets. At least annually, we review goodwill and non-amortizing intangible assets for impairment. Identifiable intangible assets, goodwill and other long-lived assets are also reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable from future cash flows. If the operating performance at one or more of our reporting units fails to meet future forecasts, or if future cash flow estimates decline, we could be required, under current U.S. accounting rules, to record impairment charges for our goodwill, intangible assets or other long-lived assets. Any write-off of a material portion of such assets could negatively affect our results of operations or financial position. See "Note 2 – *Discontinued Operations*" and "Note 7 – *Goodwill and Intangible Assets*" of the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further discussion of goodwill, intangibles and other long-lived assets.

Our stock price has been and may continue to be volatile, which may result in losses to our shareholders.

The market price of our common stock has been and may continue to be subject to wide fluctuations in response to, among other things, quarterly fluctuations in operating results, a failure to meet published estimates of or changes in earnings estimates by securities analysts, sales of common stock by existing stockholders, loss of key personnel, market conditions in our industries, shortages of key product inventory components and general economic conditions.

If there is a rise in the frequency and size of product liability, warranty and other claims against us, including wrongful death claims, our business, results of operations and financial condition may be harmed.

We are frequently subject, in the ordinary course of business, to litigation involving product liability and other claims, including wrongful death claims, related to personal injury and warranties. We partially self-insure our product liability claims and purchase excess product liability insurance in the commercial insurance market. We cannot be certain that our insurance coverage will be sufficient to cover all future claims against us. Any increase in the frequency and size of these claims, as compared to our experience in prior years, may cause the premiums that we are required to pay for such insurance to rise significantly. It may also increase the amounts we pay in punitive damages, which may not be covered by our insurance. In addition, a major product recall or increased levels of warranty claims could have a material adverse effect on our results of operations.

Item 1B. **Unresolved Staff Comments.**

None.

Item 2. **Properties.**

We have 12 company-owned and 26 leased locations, of which our Fleet Vehicle and Services segment operates in 18 locations and our Specialty Chassis and Vehicles segment operates in 18 locations. We consider our properties to generally be in good condition, well maintained, and suitable and adequate to meet our business requirements for the foreseeable future. In 2019, our manufacturing plants, taken as a whole, operated moderately below capacity. We do not anticipate difficulty in renewing existing leases as they expire or in finding alternative facilities.

Item 3. **Legal Proceedings.**

At December 31, 2019, we were parties, both as plaintiff or defendant, to a number of lawsuits and claims arising out of the normal conduct of our businesses. Our management does not currently expect our financial position, future operating results or cash flows to be materially affected by the final outcome of these legal proceedings.

Item 4. **Mine Safety Disclosures.**

Not applicable

PART II

Item 5. **Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.**

Our common stock is traded on the NASDAQ Global Select Market under the symbol "SPAR."

The following table sets forth the high and low sale prices for our common stock for the periods indicated, all as reported by the NASDAQ Global Select Market:

	High	Low
Year Ended December 31, 2019:		
Fourth Quarter	$ 19.31	$ 13.18
Third Quarter	14.32	9.63
Second Quarter	11.05	8.38
First Quarter	9.68	7.11
Year Ended December 31, 2018:		
Fourth Quarter	$ 14.86	$ 6.70
Third Quarter	16.10	13.35
Second Quarter	19.45	14.15
First Quarter	18.35	13.05

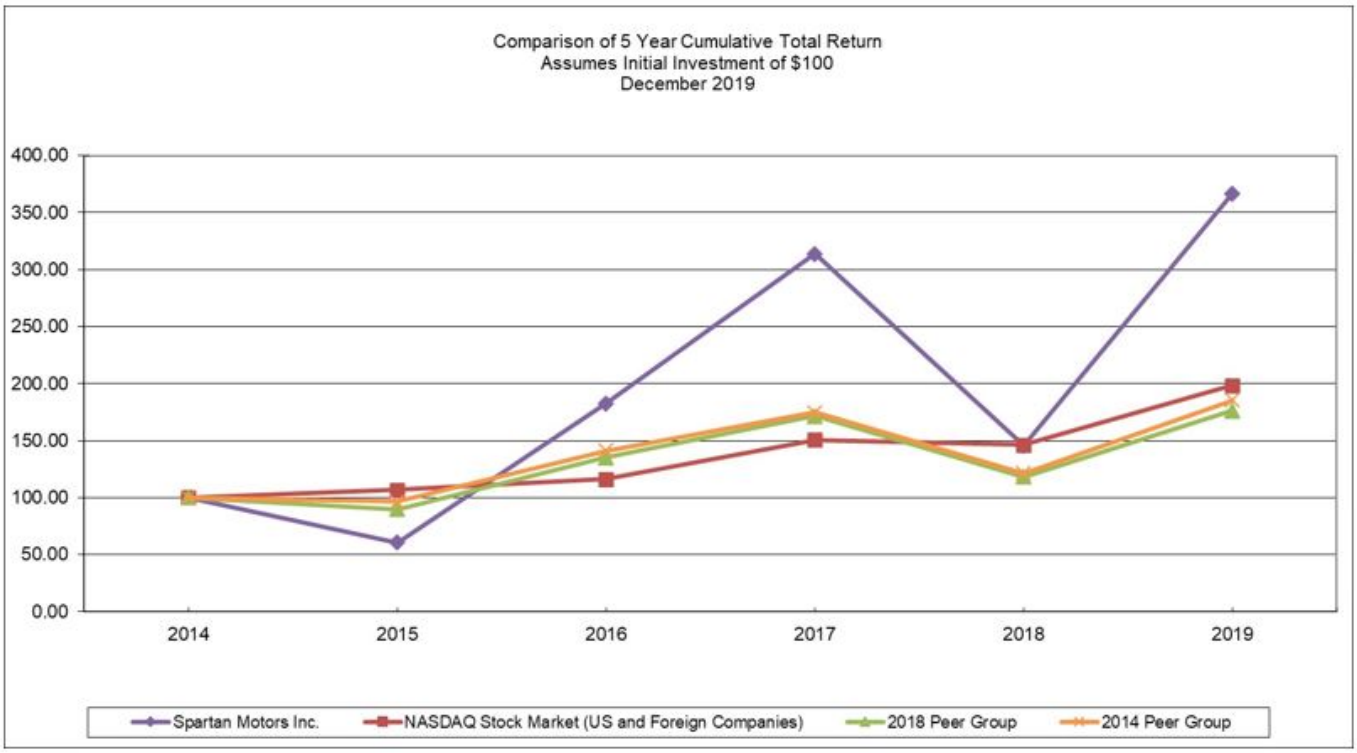
We paid dividends on our outstanding common shares in 2019, 2018 and 2017 as shown in the table below.

Date dividend declared	Record date	Payment date	Dividend per share ($)
Nov. 4, 2019	Nov. 14, 2019	Dec. 16, 2019	$ 0.05
May 6, 2019	May 17, 2019	June 17, 2019	0.05
Oct. 24, 2018	Nov. 14, 2018	Dec. 14, 2018	0.05
May 2, 2018	May 15, 2018	June 15, 2018	0.05
Oct. 24, 2017	Nov. 15, 2017	Dec. 15, 2017	0.05
May 2, 2017	May 15, 2017	June 15, 2017	0.05

No assurance, however, can be given that any future distributions will be made or, if made, as to the amounts or timing of any future distributions as such distributions are subject to earnings, financial condition, liquidity, capital requirements, and such other factors as our Board of Directors deems relevant. The number of shareholders of record of our common stock on February 28, 2020 was 292. See Item 12 below for information concerning our equity compensation plans.

The following graph compares the cumulative total stockholder return on our common stock with the cumulative total return on the Nasdaq Composite Index and company-selected peer group for the period beginning on December 31, 2014 and ending on the last day of 2019. The graph assumes an investment of $100 in our stock, the Nasdaq Composite Index and the company-selected peer groups on December 31, 2014, and further assumes the reinvestment of all dividends. Stock price performance, presented for the period from December 31, 2014 to December 31, 2019, is not necessarily indicative of future results.

The company-selected peer groups were determined based on custom peer groups of companies against whom we compete for sales or management talent, that were identified for the purpose of benchmarking executive officer compensation in 2018 (the “2018 Peer Group”) and 2014 (the “2014 Peer Group”). The change in peer groups was primarily due to changes that have occurred since 2014 in our business mix and that of the companies that make up the 2014 Peer Group. The 2018 Peer Group consists of durable goods manufacturers with revenues ranging from one-half to double that of the Company, and includes: Alamo Group, Inc.; Altra Industrial Motion Corp.; Blue Bird Corp.; Columbus McKinnon Corp.; Commercial Vehicle Group, Inc.; Douglas Dynamics, Inc.; ESCO Technologies, Inc.; Federal Signal Corp.; LCI Industries, Inc.; Methode Electronics, Inc.; Miller Industries, Inc.; Shiloh Industries, Inc.; Standard Motor Products; The Manitowoc Company, Inc.; Wabash National Corp.; and Winnebago Industries, Inc. The 2014 Peer Group consists of companies in the specialty manufacturing and automotive industries, and includes: Alamo Group, Inc.; Altra Industrial Motion Corp.; Commercial Vehicle Group, Inc.; ESCO Technologies, Inc.; Federal Signal Corp.; LCI Industries, Inc.; Methode Electronics, Inc.; Miller Industries, Inc.; Shiloh Industries, Inc.; Standard Motor Products, Inc.; Twin Disc, Inc.; and Winnebago Industries, Inc.



	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Spartan Motors, Inc.	$ 100.00	$ 60.50	$ 182.60	$ 313.68	$ 145.36	$ 366.53
NASDAQ Stock Market	$ 100.00	$ 106.99	$ 116.42	$ 150.60	$ 146.15	$ 198.45
2018 Peer Group	$ 100.00	$ 89.91	$ 135.24	$ 171.64	$ 118.25	$ 176.17
2014 Peer Group	$ 100.00	$ 96.44	$ 141.32	$ 174.70	$ 121.30	$ 185.39

The stock price performance graph and related information shall not be deemed “filed” with the Securities and Exchange Commission, nor shall such information be incorporated by reference by any general statement incorporating by reference this annual report on Form 10-K into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate this information by reference.

Issuer Purchases of Equity Securities

On April 28, 2016, our Board of Directors authorized the repurchase of up to 1.0 million shares of our common stock in open market transactions. At December 31, 2019 there were 0.8 million shares remaining under this repurchase authorization. If we were to repurchase the remaining 0.8 million shares of stock under the repurchase program, it would cost us $11.9 million based on the closing price of our stock on February 28, 2020. We believe that we have sufficient resources to fund any potential stock buyback in which we may engage.

During the quarter ended December 31, 2019, no shares were repurchased under this authorization. A summary of our purchases of our common stock during the fourth quarter of fiscal year 2019 is as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 2019	-	$ -	-	808,994
November 2019	-	-	-	808,994
December 2019	-	-	-	808,994
Total	-	$ -	-	808,994

Item 6. Selected Financial Data.

The selected financial data shown below for each of the five years in the period ended December 31, 2019 has been derived from our Consolidated Financial Statements. The following data should be read in conjunction with the Consolidated Financial Statements and related Notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this Form 10-K.

Five-Year Operating and Financial Summary
(In Thousands, Except Per Share Data)

	2019	2018	2017	2016	2015
Sales	$ 756,542	$ 570,527	$ 404,248	$ 407,795	$ 357,195
Cost of products sold	639,509	497,370	341,176	343,896	311,982
Restructuring charges	6	13	120	-	-
Gross profit	117,027	73,144	62,952	63,899	45,213
Operating expenses:					
Research and development	4,864	3,771	3,596	4,870	3,326
Selling, general and administrative	64,473	46,206	39,329	34,330	29,080
Restructuring charges	76	649	678	-	-
Operating income	47,614	22,518	19,349	24,699	12,807
Other (expense) income, net	(469)	(1,068)	504	219	708
Income before taxes	47,145	21,450	19,853	24,918	13,515
Income tax expense	10,355	3,334	2,382	6,645	13,366
Income from continuing operations	36,790	18,116	17,471	18,273	149
Loss from discontinued operations, net of income taxes	(49,216)	(3,104)	(1,537)	(9,670)	(17,121)
(Loss) income	(12,426)	15,012	15,934	8,603	(16,972)
Less: income (loss) attributable to non-controlling interest	140	-	(1)	(7)	-
(Loss) income attributable to Spartan Motors, Inc.	$ (12,566)	$ 15,012	$ 15,935	$ 8,610	$ (16,972)
Basic earnings (loss) per share attributable to Spartan Motors, Inc.:					
Continuing operations	$ 1.03	$ 0.52	$ 0.50	$ 0.53	$ -
Discontinued operations	(1.39)	(0.09)	(0.04)	(0.28)	(0.50)
Basic earnings per share	$ (0.36)	$ 0.43	$ 0.46	$ 0.25	$ (0.50)
Diluted earnings (loss) per share attributable to Spartan Motors, Inc.:					
Continuing operations	$ 1.03	$ 0.52	$ 0.50	$ 0.53	$ -
Discontinued operations	(1.39)	(0.09)	(0.04)	(0.28)	(0.50)
Diluted earnings per share	$ (0.36)	$ 0.43	$ 0.46	$ 0.25	$ (0.50)
Cash dividends per common share	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.10
Basic weighted average common shares outstanding	35,318	35,187	34,949	34,405	33,826
Diluted weighted average common shares outstanding	35,416	35,187	34,949	34,405	33,826
Balance Sheet Data:					
Total assets	450,537	353,784	301,164	243,294	228,151
Long-term debt, including current portion	88,847	25,607	17,989	139	5,187
Shareholders' equity	171,747	186,082	168,269	152,952	148,491

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

Spartan Motors, Inc. was organized as a Michigan corporation on September 18, 1975, and is headquartered in Novi, Michigan. We are a niche market leader in specialty vehicle manufacturing and assembly for the commercial vehicle (including last-mile delivery, specialty service and vocation-specific upfit segments) and recreational vehicle industries. Our products include walk-in vans and truck bodies used in e-commerce/parcel delivery, upfit equipment used in the mobile retail, and utility trades, luxury Class A diesel motor home chassis, military vehicles, and contract manufacturing and assembly services. We also supply replacement parts and offer repair, maintenance, field service and refurbishment services for the vehicles that we manufacture. Our operating activities are conducted through our wholly-owned operating subsidiary, Spartan Motors USA, Inc. ("Spartan USA"), with locations in Charlotte, Michigan; Ephrata, Pennsylvania; Pompano Beach, Florida; Bristol, Indiana; North Charleston, South Carolina; Kansas City, Missouri; Montebello, Carson, Union City and Roseville, California; Mesa, Arizona; Dallas and Weatherford, Texas; and Saltillo, Mexico.

Our diversification across several product lines provides numerous opportunities while reducing overall risk as the various markets we serve tend to have different cyclicality. We have an innovative team focused on building lasting relationships with our customers by designing and delivering market leading specialty vehicles, vehicle components, and services. Additionally, our business structure provides the agility to quickly respond to market needs, take advantage of strategic opportunities when they arise and correctly size and scale operations to ensure stability and growth. Our expansion of equipment upfit services in our Fleet Vehicles and Services segment and the growing opportunities that we have capitalized on in last mile delivery as a result of the rapidly changing e-commerce market are excellent examples of our ability to generate growth and profitability by quickly fulfilling customer needs.

We believe we can best carry out our long-term business plan and obtain optimal financial flexibility by using a combination of borrowings under our credit facilities, as well as internally or externally generated equity capital, as sources of expansion capital.

On February 1, 2020, the Company completed the sale of its Emergency Response and Vehicle ("ERV") business for $55 million in cash, subject to certain post-closing adjustments. The ERV business consisted of the emergency response cab-chassis and apparatus operations in Charlotte, Michigan, and the Spartan apparatus operations in Brandon, South Dakota; Snyder and Neligh, Nebraska; and Ephrata, Pennsylvania. The divestiture will allow us to further focus on accelerating growth and profitability in our commercial, fleet, delivery and specialty vehicles markets. As a result of this divestiture, the ERV business is accounted for as a discontinued operation for all periods presented. See "Note 2 – *Discontinued Operations*" of the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further discussion of this transaction.

Executive Overview

- Sales of $756.5 million in 2019, compared to $570.5 million in 2018.
- Gross margin of 15.5% in 2019, compared to 12.8% in 2018.
- Operating expense of $69.4 million, or 9.2% of sales in 2019, compared to $50.6 million or 8.9% of sales in 2018.
- Operating income of $47.6 million in 2019, compared to $22.5 million in 2018.
- Income tax expense of $10.4 million in 2019, compared to $3.3 million in 2018.
- Income from continuing operations of $36.8 million in 2019, compared to $18.1 million in 2018.
- Earnings per share from continuing operations of $1.03 in 2019, compared to $0.52 in 2018.
- Operating cash flow of $34.2 million in 2019, compared to $8.0 million in 2018.
- Order backlog of $336.6 million at December 31, 2019, compared to $256.4 million at December 31, 2018.

The following table shows our sales by market for the years ended December 31, 2019, 2018 and 2017 as a percentage of total sales:

	2019	2018	2017
Fleet vehicles	66.6%	52.2%	51.4%
Motor home chassis	16.8%	26.2%	30.8%
Other vehicles	5.7%	3.9%	4.6%
Aftermarket parts and accessories	10.9%	17.7%	13.2%
Total sales	100.0%	100.0%	100.0%

We continue to focus on growth by expanding our market share in existing markets, pursuing new commercial opportunities through our alliance with Isuzu and other manufacturers and pursuing strategic acquisitions that enable us to expand into existing or new markets as opportunities occur.

We believe we are well positioned to take advantage of long-term opportunities and continue our efforts to bring product innovations to each of the markets we serve. Some of our recent innovations and strategic developments include:

- Innovative product offerings such as the purpose-built upfit featuring vehicle flooring with integrated mounting for the Ford Transit 130" wheelbase cargo van, which is built to withstand tough conditions, endure extra payload, and offer a quiet ride. The product boasts multiple storage and shelving options, as well as LED lights, a maximum-view partition, and a double-clamp ladder rack.

- Our alliance with Motiv Power Systems, a leading producer of all-electric chassis for walk-in vans, box trucks, work trucks, buses and other specialty vehicles that provides us with exclusive access to Motiv's EPIC™ all-electric chassis in manufacturing Class 4 – Class 6 walk-in vans. This alliance demonstrates our ability to innovate and advance the markets we serve, and places us ahead of the curve in the electric vehicle (EV) fleet market.

- Our expansion into the equipment upfit market for vehicles used in the parcel delivery, trades and construction industries. This rapidly expanding market offers an opportunity to add value to current and new customers for our fleet vehicles and vehicles produced by other original equipment manufacturers.

- The introduction of our refrigeration technology, which demonstrates our ability to apply the latest technical advancements with our unique understanding of last-mile delivery optimization. Utilimaster's Work-Driven Design™ process provides best-in-class conversion solutions in walk-in vans, truck bodies, and cargo van vehicles. The refrigerated van is upfitted to optimally preserve cold cargo quality while offering customizations such as removable bulkheads and optional thermal curtains. The multi-temperature solution requires no additional fuel source, so it can serve a wide variety of categories from food and grocery to time and temperature sensitive healthcare deliveries.

- The introduction of the K3 605 chassis. The K3 605 is equipped with Spartan Connected Coach, a technology bundle featuring the new digital dash display and keyless push-button start. It also features Spartan's Advanced Protection System, a collection of safety systems that includes collision mitigation with adaptive cruise control, electronic stability control, automatic traction control, Spartan Safe Haul, and factory chassis-integrated air supply for tow vehicle braking systems.

- The introduction of Spartan Safe Haul. Spartan Safe Haul is the motor home industry's only chassis-integrated air supply for tow vehicle braking systems, available on Spartan Class A motor home chassis for the 2019 model year.

- Spartan Connected Coach, a technology bundle for our motor home chassis that includes a 15-inch digital dash displaying gauge functions, tire pressure monitoring, blind spot indicators, navigation, and other information. Spartan Connected Coach also offers passive keyless start and adjustable Adaptive Cruise Control and brings proven automotive technology to the RV market.

- The strength of our balance sheet, which includes robust working capital and access to credit through our revolving line of credit.

The following section provides a narrative discussion about our financial condition and results of operations. Certain amounts in the narrative may not sum due to rounding. The comments should be read in conjunction with our Consolidated Financial Statements and related Notes thereto appearing in Item 8 of this Form 10-K.

Results of Operations

The following table sets forth, for the periods indicated, the components of our consolidated statements of operations, as a percentage of sales (percentages may not sum due to rounding):

	Year Ended December 31,		
	2019	2018	2017
Sales	100.0	100.0	100.0
Cost of products sold	84.5	87.2	84.4
Gross profit	15.5	12.8	15.6
Operating expenses:			
Research and development	0.7	0.7	0.9
Selling, general and administrative	8.5	8.1	9.7
Restructuring charges	0.0	0.1	0.2
Operating income	6.3	3.9	4.8
Other (expense) income, net	(0.1)	(0.2)	0.1
Income from continuing operations before income taxes	6.2	3.7	4.9
Income tax expense	1.4	0.6	0.6
Income from continuing operations	4.8	3.1	4.3
Loss from discontinued operations, net of income taxes	(6.5)	(0.5)	(0.4)
Non-controlling interest	-	-	-
Net (loss) income attributable to Spartan Motors, Inc.	(1.7)	2.6	3.9

Year Ended December 31, 2019 compared to Year Ended December 31, 2018

Sales

Consolidated sales for the year ended December 31, 2019 increased by $186.0 million, or 32.6% to $756.5 million from $570.5 million in 2018. Sales in our FVS segment increased by $188.3 million, due to an increase in vehicle sales of $185.0 million in 2019 and $3.3 million due to favorable pricing. Sales in our SCV segment decreased by $7.3 million driven by lower sales of $28.5 million in motor home chassis and other specialty chassis and vehicle sales, partially offset by sales attributable to the Royal acquisition of $17.0 million and favorable pricing of $4.2 million. Inter-segment eliminations increased $5.0 million. These changes in sales are discussed more fully in the discussion of our segments below.

Cost of Products Sold

Cost of products sold increased by $142.1 million, or 28.6%, to $639.5 million for the year ended December 31, 2019 from $497.4 million in 2018, primarily due to increased sales volume in 2019. Cost of products sold increased by $144.6 million due to higher sales volume and by $5.6 million due to product mix. These increases were partially offset by decreases of $8.2 million due to productivity improvements and cost reductions in 2019. As a percentage of sales, cost of products sold decreased to 84.5% in 2019, compared to 87.2% in 2018.

Gross Profit

Gross profit increased by $43.9 million, or 60.0%, to $117.0 million in 2019 from $73.1 million in 2018. The increase was due to favorable volume of $23.2 million, pricing improvements of $7.5 million and productivity and cost reductions of $13.2 million. Gross margin increased to 15.5% in 2019 from 12.8% over the year ended in 2018 due to the items mentioned above.

Operating Expenses

Operating expenses for the year ended December 31, 2019 increased by $18.8 million, or 37.1%, to $69.4 million from $50.6 million in 2018. Research and development expense increased $1.1 million in 2019 due to higher engineering project spending. Selling, general and administrative expense increased by $18.3 million, or 39.5%, to $64.5 million in 2019 from $46.2 million in 2018. This increase was primarily due to $13.2 million in additional salaried associates, annual merit increases and incentive compensation. The remaining increase of $5.1 million related to the expansion of locations and the General Truck Body and Royal Truck Body acquisitions in 2019. Restructuring charges recorded in 2019 decreased $0.5 million compared to 2018 due to decreased severance costs in 2019.

Other Income and Expense

Interest expense for the year ended December 31, 2019 increased by $0.7 million, or 70.3%, to $1.8 million from $1.1 million in 2018. The increase was due primarily to the additional debt incurred for the Royal acquisition. Interest and other income for the year ended December 31, 2019 increased by $1.4 million, or 100%, to $1.4 million from $0.0 million in 2018

Income Tax Expense

Income tax expense for the year ended December 31, 2019 was $10.4 million as compared to the prior year at $3.3 million. Our effective tax rate in 2019 was 22.0%, compared to 15.6% in 2018. As compared to the year ended December 31, 2018, income tax expense incurred in 2019 was greater due to a higher effective tax rate being applied to a higher Income from continuing operations before income taxes amount.

The 2019 effective tax rate was higher than the federal statutory rate of 21% primarily due to state and foreign income taxes recorded at statutory rates. The 2019 effective rate was higher than the 2018 rate as a result of a higher tax benefit for the vesting of certain stock compensation of $1.2 million recorded in 2018 as compared to $0.1 million in 2019.

Income from Continuing Operations

Income from continuing operations for the year ended December 31, 2019 increased by $18.7 million, or 103.1%, to $36.8 million compared to $18.1 million in 2018. On a diluted per share basis, income from continuing operations increased $0.51 to $1.03 in 2019 compared to $0.52 per share in 2018. Driving this increase were the factors noted above.

Loss from Discontinued Operations, Net of Income Taxes

Loss from discontinued operations for the year ended December 31, 2019 increased to $49.2 million compared to $3.1 million in 2018. The increase of $46.1 million loss was primarily due to the impairment of the goodwill and indefinite lived intangible assets of $13.9 million, as well as the impairment of the ERV business held for sale of $39.2 million to its fair value less costs to sell in 2019, offset by improvement on operations.

Year Ended December 31, 2018 compared to Year Ended December 31, 2017

Sales

Consolidated sales for the year ended December 31, 2018 increased by $166.3 million, or 41.1% to $570.5 million from $404.2 million in 2017. Sales in our FVS segment increased by $136.4 million, mainly due to an increase in vehicle sales in 2018, while sales in our SCV segment increased by $34.4 million driven by strong shipments of motor home chassis. Inter-segment eliminations increased by $4.5 million. These changes in sales are discussed more fully in the discussion of our segments.

Cost of Products Sold

Cost of products sold increased by $156.2 million, or 45.8%, to $497.4 million for the year ended December 31, 2018 from $341.2 million in 2017, primarily due to increased sales volume in 2018. Cost of products sold increased by $152.1 million due to the higher sales volumes, $1.2 million due to start-up costs incurred at our truck body operations in Ephrata, Pennsylvania, $5.0 million due to tariffs, commodity and component cost increases of $2.3 million in 2018, and $1.5 million due to chassis disruptions and resulting freight and other costs in 2018. These increases were partially offset by decreases of $2.4 million due to the product mix in 2018 and $3.5 million due to operational and organizational improvements in 2018. As a percentage of sales, cost of products sold increased to 87.2% in 2018, compared to 84.4% in 2017.

Gross Profit

Gross profit increased by $10.1 million, or 16.2%, to $73.1 million in 2018 from $63.0 million in 2017. Savings from increased operational efficiency in 2018 contributed $6.4 million to the increase, while higher overall sales volume contributed $13.2 million to the increase. Pricing adjustments impacting 2018 sales contributed $0.4 million to the increase. These increases were partially offset by a reduction in gross profit of $3.7 million due to a less favorable overall product mix, $5.0 million in tariff-driven commodity and component cost increases, $1.2 million due to start-up costs incurred in our Ephrata truck body operations and $1.5 million due to chassis disruptions and resulting freight and other costs in 2018 compared to 2017.

Operating Expenses

Operating expenses for the year ended December 31, 2018 increased by $7.0 million, or 16.1%, to $50.6 million from $43.6 million in 2017. Research and development expense remained flat. Selling, general and administrative expense increased by $6.9 million, to $46.2 million in 2018 from $39.3 million in 2017. Legal and professional fees increased $2.7 million due to an increase in acquisition activities, trade shows and other promotional activities increased $1.8 million and $3.2 million was due to an increase in information technology related spending. Restructuring charges recorded in 2018 remained flat.

Income Tax Expense

Income tax expense for the year ended December 31, 2018 was $3.3 million as compared to the prior year at $2.4 million. Our effective tax rate in 2018 was 15.6%, compared to 12.0% in 2017.

The 2018 effective tax rate was lower than the federal statutory rate of 21% primarily due to a discrete tax benefit of $1.2 million caused by the vesting of certain stock compensation. The 2018 effective rate was higher than the 2017 rate due to a number of significant one-time adjustments whose net effect reduced our 2017 effective tax rate and did not recur in 2018. Certain of these adjustments included a $3.0 million charge for the remeasurement of our deferred tax assets due to the Tax Cuts and Jobs Act of 2017, offset by a $6.5 million reduction in our valuation allowance related to temporary differences between book and tax bases in assets and liabilities and a $1.0 million benefit from the disposal of stock in an inactive subsidiary that had been deemed worthless.

Income from Continuing Operations

Income from continuing operations for the year ended December 31, 2018 increased by $0.6 million, or 3.7%, to $18.1 million compared to $17.5 million in 2017. On a diluted per share basis, income from continuing operations increased $0.02 to $0.52 in 2018 compared to $0.50 per share in 2017. Driving this increase were the factors noted above.

Loss from Discontinued Operations, Net of Income Taxes

Loss from discontinued operations for the year ended December 31, 2018 increased to $3.1 million compared to $1.5 million in 2017. The increase of $1.6 million loss was primarily due to the year-over-year decrease of income tax benefit of $1.2 million.

Our Segments

We identify our reportable segments based on our management structure and the financial data utilized by our chief operating decision maker to assess segment performance and allocate resources among our operating units. We have two reportable segments: Fleet Vehicles and Services and Specialty Chassis and Vehicles.

We evaluate the performance of our reportable segments based on adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), which is a non-GAAP financial measure. This non-GAAP measure is calculated by excluding items that we believe to be infrequent or not indicative of our continuing operating performance. In the fourth quarter of 2019, in connection with the divestiture of our ERV business, we refined the definition of adjusted EBITDA as income from continuing operations before interest, income taxes, depreciation and amortization, as adjusted to eliminate the impact of restructuring charges, acquisition related expenses and adjustments, non-cash stock-based compensation expenses, and other gains and losses not reflective of our ongoing operations. Adjusted EBITDA for all prior years presented have been recast to conform to the current presentation.

The table below presents the reconciliation of our income from continuing operations before income taxes to segment adjusted EBITDA. Adjusted EBITDA is not a measurement of our financial performance under GAAP and should not be considered as an alternative to net income. Adjusted EBITDA may have limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. In addition, although we have excluded certain charges in calculating Adjusted EBITDA, we may in the future incur expenses similar to these adjustments, despite our assessment that such expenses are infrequent and/or not indicative of our regular, ongoing operating performance. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or infrequent items.

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Income from continuing operations before income taxes	$ 47,145	$ 21,450	$ 19,853
Net (income) loss attributable to non-controlling interest	(140)	-	1
Interest expense	109	481	156
Depreciation and amortization expense	4,570	3,896	4,675
Restructuring and other related charges	82	176	746
Unallocated corporate expenses	29,613	19,297	15,585
Total segment adjusted EBITDA	$ 81,379	$ 45,300	$ 41,016

Our FVS segment consists of our operations at our Bristol, Indiana location, along with our operations at our upfit centers in Kansas City, Missouri; Ephrata, Pennsylvania; North Charleston, South Carolina; Pompano Beach, Florida; Montebello, California and Saltillo, Mexico. This segment focuses on designing and manufacturing walk-in vans for the parcel delivery, mobile retail, and trades and construction industries, the production of commercial truck bodies and supplies related aftermarket parts and services under the Utilimaster brand name.

Our SCV segment consists of our Charlotte, Michigan operations that engineer and manufacture motor home chassis, defense vehicles, other specialty chassis and distribute related aftermarket parts and assemblies. In addition, beginning in September 2019 with the acquisition of Royal, the Specialty Chassis and Vehicles segment includes operations in Carson, Union City and Roseville, California; Mesa, Arizona; and Dallas and Weatherford, Texas. Royal is a leading California-based designer, manufacturer and installer of service truck bodies and accessories.

The accounting policies of the segments are the same as those described, or referred to, in "Note 1 – *General and Summary of Accounting Policies.*" Assets and related depreciation expense in the column labeled “Eliminations and other” pertain to capital assets maintained at the corporate level. Eliminations for inter-segment sales are shown in the column labeled “Eliminations and other”. Segment loss from operations in the “Eliminations and other” column contains corporate related expenses not allocable to the operating segments. Interest expense and Taxes on income are not included in the information utilized by the chief operating decision makers to assess segment performance and allocate resources, and accordingly, are excluded from the segment results presented below. Appropriate expense amounts are allocated to the two reportable segments and are included in their reported operating income or loss.

For certain financial information related to each segment, see "Note 18 – *Business Segments*" of the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K.

Fleet Vehicles and Services

Segment Financial Data
(Dollars in Thousands)

	Year Ended December 31,					
	2019		2018		2017	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Sales	$ 575,894	100.0%	$ 387,549	100.0%	$ 251,095	100.0%
Adjusted EBITDA	$ 60,663	10.5%	$ 26,680	6.9%	$ 26,958	10.7%
Segment assets	$ 154,138		$ 117,508		$ 60,550	

Year ended December 31, 2019 compared to year ended December 31, 2018

Sales in our FVS segment increased by $188.3 million, or 48.6%, to $575.9 million in 2019 from $387.5 million in 2018. This increase was driven by a $185.0 million increase in vehicle sales mainly due to higher unit volumes and $3.3 million in pricing increases. The sales volume increase in 2019 includes $91.4 million of chassis pass-thru sales compared to $65.4 million in 2018.

Adjusted EBITDA in our FVS segment was $60.7 million for the year ended December 31, 2019, an increase of $34.0 million compared to $26.7 million for the year ended December 31, 2018. Higher sales volumes in 2019 contributed $26.2 million to the overall increase while pricing increases contributed $3.7 million and productivity improvements and cost reductions generated $14.2 million. These increases were partially offset by decreases of $5.3 million due to the mix of products sold in 2019 and a $5.9 million increase in marketing, administrative and research and development costs.

Order backlog for our FVS segment increased by $87.1 million, or 39.8%, to $305.9 million in 2019 compared to $218.8 million in 2018, driven by new orders for walk-in vans offset by the build out of the USPS contract that originated in 2017. Our backlog enables visibility into future net sales which can normally range from two to twelve months depending on the product. This visibility allows us to more effectively plan and predict our sales and production activity.

Year ended December 31, 2018 compared to year ended December 31, 2017

Sales in our FVS segment increased by $136.4 million, or 54.3%, to $387.5 million in 2018 from $251.1 million in 2017. This increase was driven by a $105.0 million increase in vehicle sales mainly due to higher unit volume and a $29.3 million increase in aftermarket parts and accessories sales mainly due to higher upfit and truck body sales in 2018. Our adoption of ASC 606, *Revenue from Contracts with Customers* ("ASC 606") on January 1, 2018 resulted in an additional $2.1 million increase in revenue recognized during the period compared to what would have been recognized under previous guidance, mainly due to the timing of vehicle production and shipments.

Adjusted EBITDA for our FVS segment was $26.7 million for the year ended December 31, 2018, a decrease of $0.3 million compared to $27.0 million for the year ended December 31, 2017. This decrease was due to tariffs of $5.0 million, product mix of $4.0 million, commodity and component cost increases of $2.1 million and $1.2 million of start-up costs incurred in our Ephrata truck body manufacturing operation. These decreases were partially offset by the impact of $11.9 million in higher volume.

Order backlog for our FVS segment decreased by $48.9 million, or 18.3%, to $218.8 million in 2018 compared to $267.7 million in 2017, driven by the partial build-out of the $214 million contract to supply delivery vehicles to the United States Postal Service we received in September, 2017 which was partially offset by a $48.3 million increase in the backlog for other fleet vehicles. Our backlog enables visibility into future net sales which can normally range from two to twelve months depending on the product. This visibility allows us to more effectively plan and predict our sales and production activity.

Specialty Chassis and Vehicles

Segment Financial Data
(Dollars in Thousands)

	Year Ended December 31,					
	2019		2018		2017	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Sales	$ 185,926	100.0%	$ 193,199	100.0%	$ 158,810	100.0%
Adjusted EBITDA	$ 20,716	11.1%	$ 18,620	9.6%	$ 14,058	8.9%
Segment assets	$ 137,777		$ 17,335		$ 21,445	

Year ended December 31, 2019 compared to year ended December 31, 2018

Sales in our SCV segment decreased by $7.3 million or 3.8%, to $185.9 million in 2019 compared to $193.2 million in 2018. This decrease was driven by a decrease of $23.5 million in motor home chassis sales and a decrease of $5.0 million in other specialty chassis and vehicle sales due to lower unit volumes. This decrease was partially offset by sales attributable to the Royal acquisition of $17.0 million and pricing increases of $4.2 million.

Adjusted EBITDA for our SCV segment was $20.7 million for the year ended December 31, 2019, an increase of $2.1 million compared to $18.6 million for the year ended December 31, 2018. This increase was driven by $2.4 million attributable to acquisitions and pricing increases of $4.2 million. This increase was partially offset by $3.5 million due to lower motor home and specialty chassis sales volume and higher supplier costs of $1.0 million.

Order backlog for our SCV segment decreased by $7.0 million, or 18.4%, to $30.7 million at December 31, 2019 compared to $37.7 million at December 31, 2018. This decrease was due to a reduction in the Class A diesel motor home market demand. Our backlog enables visibility into future net sales which can normally range from less than one month to twelve months depending on the product. This visibility allows us to more effectively plan and predict our sales and production activity.

Year ended December 31, 2018 compared to year ended December 31, 2017

Sales in our SCV segment increased by $34.4 million, to $193.2 million in 2018 compared to $158.8 million in 2017. Motor home chassis sales increased by $24.9 million due to higher unit volume in 2018, which was partially offset by a $1.4 million reduction due to an unfavorable sales mix. Sales of other specialty vehicles and aftermarket parts increased by $4.1 million and $1.7 million in 2018 due to higher unit volumes. Intercompany sales of fleet vehicles increased by $4.7 million due to higher unit volume in 2018. Pricing changes that impacted the year ended December 31, 2018 resulted in increased sales of $0.4 million. Our adoption of ASC 606 in January 2018 had an immaterial impact on sales in our Specialty Chassis and Vehicles segment.

Adjusted EBITDA for our SCV segment was $18.6 million for the year ended December 31, 2018, an increase of $4.5 million compared to $14.1 million for the year ended December 31, 2017. This increase was driven by a $4.3 million increase related to higher motor home chassis sales volume and a $1.0 million increase in other specialty vehicles and related products in 2018. The increases were partially offset by decreases related to product mix of $0.5 million and tariff related costs of $0.2 million. Our adoption of ASC 606 in January 2018 had an immaterial impact on adjusted EBITDA in our Specialty Chassis and Vehicles segment.

Order backlog for our SCV segment increased by $3.9 million, or 11.5%, to $37.7 million at December 31, 2018 compared to $33.8 million at December 31, 2017. This increase was due primarily to a $3.4 million increase in backlog for motor home chassis in 2018. Our backlog enables visibility into future net sales which can normally range from less than one month to twelve months depending on the product. This visibility allows us to more effectively plan and predict our sales and production activity.

Liquidity and Capital Resources

Cash Flows

Our cash flows from operating, investing and financing activities, as reflected in the Consolidated Statements of Cash Flows appearing in Item 8 of this Form 10-K, are summarized in the following table (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Cash provided by (used in):			
Operating activities	$ 34,181	$ 8,026	$ 22,016
Investing activities	(98,965)	(14,185)	(34,230)
Financing activities	56,694	75	13,696
Net increase (decrease) in cash and cash equivalents	$ (8,090)	$ (6,084)	$ 1,482

During 2019, cash and cash equivalents decreased by $8.1 million to a balance of $19.3 million as of December 31, 2019. These funds, in addition to cash generated from future operations and available credit facilities, are expected to be sufficient to finance our foreseeable liquidity and capital needs.

Cash Flow from Operating Activities

We generated $34.2 million of cash from operating activities during the year ended December 31, 2019, an increase of $26.2 million from $8.0 million of cash generated from operating activities in 2018. Cash flow from operating activities increased from 2018 due to a $15.2 million increase in net income net of non-cash charges and a $10.9 million increase from changes in operating assets and liabilities.

We generated $8.0 million of cash from operating activities during the year ended December 31, 2018, a decrease of $14.0 million from $22.0 million of cash generated from operating activities in 2017. Cash flow from operating activities decreased from 2017 due to a $38.5 million increase in cash utilized in the fulfilment of customer orders and a $1.1 million decrease in net income net of non-cash charges. This was offset by a $3.0 million decrease in cash paid for warranty claims in 2018 and a $22.7 million increase in cash generated through changes in other working capital items, mainly accounts payable.

Cash Flow from Investing Activities

We utilized $99.0 million in investing activities during the year ended December 31, 2019, an $84.8 million increase compared to the $14.2 million utilized during the year ended December 31, 2018. This increase is mainly due to the cash needed for our acquisition of Royal for $88.9 million in 2019 compared to our acquisition of Strobes-R-Us, Inc. for $5.2 million in 2018. Purchases of property, plant and equipment also increased $1.0 million to $10.0 million in 2019 from $9.0 million in 2018.

We utilized $14.2 million in investing activities during the year ended December 31, 2018, a $20.0 million decrease compared to the $34.2 million utilized during the year ended December 31, 2017. This decrease is mainly due to the cash needed for our acquisition of Strobes-R-Us for $5.2 million in 2018 compared to our acquisition of Smeal for $28.9 million in 2017. Purchases of property, plant and equipment also increased $3.7 million to $9.0 million in 2018 from $5.3 million in 2017.

Cash Flow from Financing Activities

We generated $56.7 million of cash through financing activities during the year ended December 31, 2019, compared to $0.1 million generated during the year ended December 31, 2018. This increase is primarily due to an increase in borrowings on long-term debt of $84.3 million, offset by an increase in repayments on long-term debt of $30.1 million. Net cash used in the exercise, vesting or cancellation of stock incentive awards decreased $1.9 million.

We generated $0.1 million of cash through financing activities during the year ended December 31, 2018, compared to $13.7 million generated during the year ended December 31, 2017. This decrease is mainly due to decreased advances on long-term debt of $25.2 million offset by decreased repayments on long-term debt of $15.0 million in 2018. Net cash used in the exercise, vesting or cancellation of stock incentive awards increased $2.0 million, the purchase and retirement of common stock increased $0.7 million and the payment of contingent consideration increased $0.7 million in 2018.

Restructuring Activities

During the years ended December 31, 2019, 2018 and 2017, we incurred $0.1 million, $0.7 million and $0.8 million of restructuring charges, respectively for a company-wide initiative to streamline operations. See "Note 6 – *Restructuring Charges*" in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further information.

Contingent Liabilities

Spartan-Gimaex Joint Venture

In February 2015, Spartan USA and Gimaex Holding, Inc. mutually agreed to begin discussions regarding the dissolution of the Spartan-Gimaex joint venture. In June 2015, Spartan USA and Gimaex Holding, Inc. entered into court proceedings to determine the terms of the dissolution. In February 2017, by agreement of the parties, the court proceeding was dismissed with prejudice and the judge entered an order to this effect as the parties agreed to seek a dissolution plan on their own. In late 2019, Spartan USA initiated additional court proceedings to dissolve and liquidate the joint venture, but no dissolution terms have been determined as of the date of this Form 10-K. Costs associated with the wind-down will be impacted by the final dissolution agreement. In accordance with accounting guidance, the costs we have accrued so far represent the low end of the range of the estimated total charges that we believe we may incur related to the wind-down. While we are unable to determine the final cost of the wind-down with certainty at this time, we may incur additional charges, depending on the final terms of the dissolution, and such charges are not expected to be material to our future operating results. We recorded charges totaling $216 to write down certain inventory items associated with this joint venture to their estimated fair values during the year ended December 31, 2019.

Debt

On August 8, 2018, we entered into a Credit Agreement (the "Credit Agreement") by and among us and certain of our subsidiaries as borrowers, Wells Fargo Bank, National Association ("Wells Fargo"), as administrative agent, and the lenders party thereto consisting of Wells Fargo, JPMorgan Chase Bank, N.A. and PNC Bank National Association (the "Lenders"). Subsequently, the Credit Agreement was amended on May 14, 2019, September 9, 2019 and September 25, 2019 and certain of our other subsidiaries executed guaranties guarantying the borrowers' obligations under the Credit Agreement.

As a result, at December 31, 2019, under the Credit Agreement, as amended, we may borrow up to $175,000 from the Lenders under a secured revolving credit facility which matures August 8, 2023. We may also request an increase in the facility of up to $50,000 in the aggregate, subject to customary conditions. The credit facility is also available for the issuance of letters of credit of up to $20,000 and swing line loans of up to $30,000, subject to certain limitations and restrictions. This revolving credit facility carries an interest rate of either (i) the highest of prime rate, the federal funds effective rate from time to time plus 0.5%, or the one month adjusted LIBOR plus 1.0%; or (ii) adjusted LIBOR, in each case plus a margin based upon our ratio of debt to earnings from time to time. The applicable borrowing rate including margin was 3.7500% (or one-month LIBOR plus 1.25%) at December 31, 2019. The credit facility is secured by security interests in, and liens on, all assets of the borrowers and guarantors, other than real property and certain other excluded assets.

Under the terms of our Credit Agreement, we have the ability to issue letters of credit totaling $20.0 million. At December 31, 2019 and 2018, we had outstanding letters of credit totaling $0.5 million related to our worker's compensation insurance.

Under the terms of our Credit Agreement we are required to maintain certain financial ratios and other financial covenants, which limited our available borrowings (exclusive of outstanding borrowings) under our line of credit to a total of approximately $60.5 million and $86.4 million at December 31, 2019 and 2018, respectively. The Credit Agreement also prohibits us from incurring additional indebtedness; limits certain acquisitions, investments, advances or loans; limits our ability to pay dividends in certain circumstances; and restricts substantial asset sales, all subject to certain exceptions and baskets. At December 31, 2019 and December 31, 2018, we were in compliance with all covenants in our credit agreement.

Concurrent with the close of the sale of the ERV business and effective January 31, 2020, the Credit Agreement was further amended by a fourth amendment, which released certain of our subsidiaries that were sold as part of the ERV business pursuant to the Asset Purchase Agreement. The substantive business terms of the Credit Agreement remain in place and were not changed by the fourth amendment. The Company received proceeds of $55.0 million in cash from the sale. We subsequently paid down our borrowings under the revolving line of credit by $30.0 million. Net proceeds after estimated post-closing adjustments and transaction costs are expected to be $45.7 million.

Equity Securities

On April 28, 2016, our Board of Directors authorized the repurchase of up to 1.0 million additional shares of our common stock in open market transactions. We repurchased a total of 101,006 and 90,000 shares of our common stock during the years ended December 31, 2019 and 2018, respectively. No shares were repurchased in 2017. If we were to repurchase the remaining 0.8 million shares of stock under the repurchase program, it would cost us $11.9 million based on the closing price of our stock on February 28, 2020. We believe that we have sufficient resources to fund any potential stock buyback in which we may engage.

Dividends

We paid dividends on our outstanding common shares in 2019, 2018 and 2017 as shown in the table below.

Date dividend declared	Record date	Payment date	Dividend per share ($)
Nov. 4, 2019	Nov. 14, 2019	Dec. 16, 2019	$ 0.05
May 6, 2019	May 17, 2019	June 17, 2019	0.05
Oct. 24, 2018	Nov. 14, 2018	Dec. 14, 2018	0.05
May 2, 2018	May 15, 2018	June 15, 2018	0.05
Oct. 24, 2017	Nov. 15, 2017	Dec. 15, 2017	0.05
May 2, 2017	May 15, 2017	June 15, 2017	0.05

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, cash flows, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations and Commercial Commitments

Our future contractual obligations for agreements, including agreements to purchase materials in the normal course of business, are summarized below.

	Payments Due by Period (in thousands)				
	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Debt (1)	$ 103,199	3,488	99,711	-	-
Operating lease obligations	37,951	5,937	14,287	7,978	9,749
Purchase obligations	1,830	1,830	-	-	-
Total contractual obligations	$ 142,980	$ 11,255	$ 113,998	$ 7,978	$ 9,749

(1) Debt includes line of credit revolver estimated interest payments and payments on finance leases. The interest payments on the related variable rate debt were calculated using the effective interest rate of 3.75% at December 31, 2019.

Critical Accounting Policies and Estimates

The following discussion of critical accounting policies and estimates is intended to supplement "Note 1 – *General and Summary of Accounting Policies*" of the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K. These policies were selected because they are broadly applicable within our operating units and they involve additional management judgment due to the sensitivity of the methods, assumptions and estimates necessary in determining the related statement of income, asset and/or liability amounts.

Revenue Recognition

Essentially all of our revenue is generated through contracts with our customers. We may recognize revenue over time or at a point in time when or as obligations under the terms of a contract with our customer are satisfied, depending on the terms and features of the contract and the products supplied. Our contracts generally do not have any significant variable consideration. The collectability of consideration on the contract is reasonably assured before revenue is recognized. On certain vehicles, payment may be received in advance of us satisfying our performance obligations. Such payments are recorded in Deposits from customers on the Consolidated Balance Sheets. The corresponding performance obligations are generally satisfied within one year of the contract inception. We have elected to utilize the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred because the amortization period for the prepaid costs that would have otherwise been deferred and amortized is one year or less. We use an observable price to allocate the stand-alone selling price to separate performance obligations within a contract or a cost-plus margin approach when an observable price is not available. The estimated costs to fulfill our base warranties are recognized as expense when the products are sold.

Revenue for parts sales for all segments is recognized at the time that control and risk of ownership has passed to the customer, which is generally, when the ordered part is shipped to the customer. Historical return rates on parts sales have been immaterial. Accordingly, no return reserve has been recorded. Instead, returns are recognized as a reduction of revenue at the time that they are received.

Revenue for upfit and field service contracts and walk-in vans and truck bodies built on a chassis owned and controlled by the customer is recognized over time, as equipment is installed in the customer's vehicle, repairs and enhancements are made to the customer's vehicles, or as the vehicles are built.

For certain of our vehicles and chassis, we sell separately priced service contracts that provide roadside assistance or extend certain warranty coverage beyond our base warranty agreements. These separately priced contracts range from one to six years from the date of the shipment of the related vehicle or chassis. We receive payment with the shipment of the related vehicle or at the inception of the extended service contract, if later, and recognize revenue over the coverage term of the agreement, generally on a straight-line basis, which approximates the pattern of costs expected to be incurred in satisfying the obligations under the contract.

Accounts Receivable

We maintain an allowance for customer accounts that reduces receivables to amounts that are expected to be collected. In estimating the allowance for doubtful accounts, we make certain assumptions regarding the risk of uncollectable open receivable accounts. This risk factor is applied to the balance on accounts that are aged over 90 days: generally, this reserve has an estimated range from 10-25%. The risk percentage applied to the aged accounts may change based on conditions such as: general economic conditions, industry-specific economic conditions, historical and anticipated customer performance, historical experience with write-offs and the level of past-due amounts from year to year. However, generally our assumptions are consistent year-over-year and there has been little adjustment made to the percentages used. In addition, in the event there are certain known risk factors with an open account, we may increase the allowance to include estimated losses on such specific account balances. These specific reserves are identified by a periodic review of the aged accounts receivable. If there is an account in question, credit checks are made and there is communication with the customer, along with other means to try to assess if a specific reserve is required. Please see "Note 1 – *General and Summary of Accounting Policies*" in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K and Appendix A included in this Form 10-K for further details and historical view of our allowance for doubtful accounts balance.

Goodwill and Other Indefinite-Lived Intangible Assets

In accordance with authoritative guidance on goodwill and other indefinite-lived intangible assets, such assets are tested for impairment at least annually, and written down when and to the extent impaired. We perform our annual impairment test for goodwill and indefinite-lived intangible assets as of October 1 of each year, or more frequently if an event occurs or conditions change that would more likely than not reduce the fair value of the asset below its carrying value.

As of October 1, 2019, the most recent annual goodwill impairment assessment date, we had goodwill at our Fleet Vehicles and Services, Specialty Chassis and Vehicles, and Emergency Response Vehicles segments. The Fleet Vehicles and Services and Emergency Response Vehicles, and Specialty Chassis Vehicle segments were determined to be reporting units for goodwill impairment testing. The goodwill recorded in these reporting units was evaluated for impairment as of October 1, 2019 using a discounted cash flow valuation.

We first assess qualitative factors including, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for our products and current and forecasted financial performance to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we determine that it is more likely than not that the fair value of the reporting unit is greater than its carrying amount, we are not required to calculate the fair value of a reporting unit. We have the option to bypass this qualitative assessment and proceed to a quantitative goodwill impairment assessment. If we elect to bypass the qualitative assessment, or if after completing the assessment it is determined to be more likely than not that the fair value of a reporting unit is less than its carrying value, we perform an impairment test by comparing the fair value of a reporting unit with its carrying amount, including goodwill. The fair value of the reporting unit is determined by estimating the future cash flows of the reporting unit to which the goodwill relates, and then discounting the future cash flows at a market-participant-derived weighted-average cost of capital ("WACC"). In determining the estimated future cash flows, we consider current and projected future levels of income based on our plans for that business; business trends, prospects and market and economic conditions; and market-participant considerations. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered to not be impaired. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to the excess, up to the value of the goodwill.

We evaluate the recoverability of our indefinite lived intangible assets, which, as of October 1, 2019, consisted of our Utilimaster, Smeal, and Royal trade names, by comparing the estimated fair value of the trade names with their carrying values. We estimate the fair value of our trade names based on estimates of future royalty payments that are avoided through our ownership of the trade name, discounted to their present value. In determining the estimated fair value of the trade names, we consider current and projected future levels of revenue based on our plans for Utilimaster, Smeal, and Royal Truck Body branded products, business trends, prospects and market and economic conditions.

Significant judgments inherent in these analyses include assumptions about appropriate sales growth rates, WACC and the amount of expected future net cash flows. The judgments and assumptions used in the estimate of fair value are generally consistent with the projections and assumptions that are used in current operating plans. Such assumptions are subject to change as a result of changing economic and competitive conditions. The determination of fair value is highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of the reporting units and trade name.

In 2019, we elected to bypass the qualitative assessment and proceed to the quantitative goodwill impairment assessment for all of our reporting units. The estimated fair values of Fleet Vehicles and Services and Specialty Chassis and Vehicles reporting units exceeded their carrying values by 337% and 67%, respectively, as of October 1, 2019, the most recent annual assessment date. However, the estimated fair value of Emergency Response Vehicles reporting unit was less than its carrying value by 27%, thus goodwill of $11.5 million associated with the Emergency Response Vehicles reporting unit at October 1, 2019 was fully impaired.

The Utilimaster, Smeal and Royal Truck Body trade names have indefinite lives as it is anticipated that they will contribute to our cash flows indefinitely. The estimated fair value of our Utilimaster trade name exceeded its associated carrying value of $55.1 million by 1,921% as of October 1, 2019 and it was determined not to be impaired. However, our Smeal trade name was determined to be fully impaired, resulting in a reduction of its carrying value of $2.4 million, or 100% at October 1, 2019. Because the Royal trade name was recorded at fair value upon their acquisition as of September 9, 2019, an updated recoverability analysis for the Royal trade name was not conducted on October 1, 2019.

See “Note 2 – *Discontinued Operations*” in the Notes to the Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further details on our goodwill and indefinite-lived intangible assets related to the ERV business. See “Note 7 – *Goodwill and Intangible Assets*” in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further details on our goodwill and indefinite-lived intangible assets.

Warranties

Our policy is to record a provision for the estimated cost of warranty-related claims at the time of the sale, and periodically adjust the warranty liability to reflect actual experience. The amount of warranty liability accrued reflects actual historical warranty cost, which is accumulated on specific identifiable units. From that point, there is a projection of the expected future cost of honoring our obligations under the warranty agreements. Historically, the cost of fulfilling our warranty obligations has principally involved replacement parts and labor for field retrofit campaigns and recalls, which increase the reserve. Our estimates are based on historical experience, the number of units involved, and the extent of features and components included in product models. See "Note 12 – *Commitments and Contingent Liabilities*" in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further information regarding warranties.

Provision for Income Taxes

We account for income taxes under a method that requires deferred income tax assets and liabilities to be recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. Authoritative guidance also requires deferred income tax assets, which include state tax credit carryforwards, operating loss carryforwards and deductible temporary differences, be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

We evaluate the likelihood of realizing our deferred income tax assets by assessing our valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization include our forecast of future taxable income, the projected reversal of temporary differences and available tax planning strategies that could be implemented to realize the net deferred income tax assets.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. The determination is based on the technical merits of the position and presumes that each uncertain tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information. Although management believes the estimates are reasonable, no assurance can be given that the final outcome of these matters will not be different than what is reflected in the historical income tax provisions and accruals.

Interest and penalties attributable to income taxes are recorded as a component of income taxes.

New and Pending Accounting Policies

See "Note 1 – *General and Summary of Accounting Policies*" in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K.

Effect of Inflation

Inflation affects us in two principal ways. First, our revolving credit agreement is generally tied to the prime and LIBOR interest rates so that increases in those interest rates would be translated into additional interest expense. Second, general inflation impacts prices paid for labor, parts and supplies. Whenever possible, we attempt to cover increased costs of production and capital by adjusting the prices of our products. However, we generally do not attempt to negotiate inflation-based price adjustment provisions into our contracts. Since order lead times can be as much as nine months, we have limited ability to pass on cost increases to our customers on a short-term basis. In addition, the markets we serve are competitive in nature, and competition limits our ability to pass through cost increases in many cases. We strive to minimize the effect of inflation through cost reductions and improved productivity.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

We are exposed to market risks related to changes in interest rates and the effect of such a change on outstanding variable rate short-term and long-term debt. At December 31, 2019, we had $87.4 million in debt outstanding under our variable rate short-term and long-term debt agreements. An increase of 100 basis points in interest rates would result in additional interest expense of $0.9 million on an annualized basis. We believe that we have sufficient financial resources to accommodate this hypothetical increase in interest rates. We do not enter into market-risk-sensitive instruments for trading or other purposes.

Commodities Risk

We are also exposed to changes in the prices of raw materials, primarily steel and aluminum, along with components that are made from these raw materials. We generally do not enter into derivative instruments for the purpose of managing exposures associated with fluctuations in steel and aluminum prices. We do, from time to time, engage in pre-buys of components that are impacted by changes in steel, aluminum and other commodity prices in order to mitigate our exposure to such price increases and align our costs with prices quoted in specific customer orders. We also actively manage our material supply sourcing and may employ various methods to limit risk associated with commodity cost fluctuations due to normal market conditions and other factors including tariffs. See Management’s Discussion and Analysis of Financial Condition and Results of Operations included in Part 1, Item 7 of this Form 10-K for information on the impacts of changes in input costs during the year ended December 31, 2019.

We do not believe that there has been a material change in the nature or categories of the primary market risk exposures or in the particular markets that present our primary risk of loss. As of the date of this report, we do not know of or expect any material changes in the general nature of our primary market risk exposure in the near term. In this discussion, “near term” means a period of one year following the date of the most recent balance sheet contained in this report.

Prevailing interest rates, interest rate relationships and commodity costs are primarily determined by market factors that are beyond our control. All information provided in response to this item consists of forward-looking statements. Reference is made to the section captioned “Forward-Looking Statements” before Part I of this Annual Report on Form 10-K for a discussion of the limitations on our responsibility for such statements.

Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Spartan Motors, Inc.
Novi, Michigan

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Spartan Motors, Inc. (Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedule (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 16, 2020 expressed an adverse opinion thereon.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, in 2018, the Company changed its method of accounting for revenue from contracts with customers and in 2019, the Company changed its method of accounting for leases.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/S/ BDO USA, LLP

We have served as the Company's auditor since 2007.

Grand Rapids, MI
March 16, 2020

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Spartan Motors, Inc.
Novi, Michigan

Opinion on Internal Control over Financial Reporting

We have audited Spartan Motors Inc.'s (the Company's) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). In our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We do not express an opinion or any other form of assurance on management's statements referring to any corrective actions taken by the Company after the date of management's assessment.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and schedule, and our report dated March 16, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Item 9A, Management's Report on Internal Control over Financial Reporting.* Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness has been identified and identified in management's assessment regarding the Company's processes for recognizing revenue within its Fleet Vehicles and Services (FVS) business unit that had been ineffectively designed, implemented and operated. Specifically (1) there was insufficient management review to prevent and detect inaccurate and/or non-existent sales orders, including orders entered without appropriate supporting documentation and orders that were not properly updated to reflect price changes agreed to by customers, and (2) their controls were insufficient to accurately verify the existence, completeness and accuracy of transactions resulting in recognition of revenue, including evidence of contracts with a customer and Company acceptance and approval of those contracts, revenue recognition agreement with contracted terms, and quarterly cut-off errors. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2019 financial statements, and this report does not affect our report dated March 16, 2020 on those financial statements.

As indicated in the accompanying *Item 9A, Management's Report on Internal Control over Financial Reporting*, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Fortress Resources, LLC D/B/A Royal Truck Body (Royal), which was acquired on September 9, 2019, and which is included in the consolidated balance sheet of the Company as of December 31, 2019, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended. Royal constituted 24.5% of total assets as of December 31, 2019, and 2.3% of revenues for the year then ended. Management did not assess the effectiveness of internal control over financial reporting of Royal because of the timing of the acquisition which was completed on September 9, 2019. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Royal.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/S/ BDO USA, LLP
Grand Rapids, MI
March 16, 2020

SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,349	$ 27,439
Accounts receivable, less allowance of $228 and $99	58,874	68,009
Contract assets	10,898	9,229
Inventories	59,456	39,213
Other receivables – chassis pool agreements	8,162	-
Other current assets	5,344	3,952
Current assets held for sale	90,725	97,487
Total current assets	252,808	245,329
Property, plant and equipment, net	40,074	32,485
Right of use assets – operating leases	32,147	-
Goodwill	43,632	22,367
Intangible assets, net	54,061	5,011
Other assets	2,295	2,261
Net deferred tax assets	25,520	7,141
Noncurrent assets held for sale	-	39,190
TOTAL ASSETS	$ 450,537	$ 353,784
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 54,713	$ 73,384
Accrued warranty	5,694	4,407
Accrued compensation and related taxes	15,841	7,678
Deposits from customers	2,640	871
Operating lease liability	5,162	-
Other current liabilities and accrued expenses	15,967	8,620
Short-term debt – chassis pool agreements	8,162	-
Current portion of long-term debt	177	60
Current liabilities held for sale	49,601	43,077
Total current liabilities	157,957	138,097
Other non-current liabilities	4,922	4,058
Long-term operating lease liability	27,241	-
Long-term debt, less current portion	88,670	25,547
Total liabilities	278,790	167,702
Commitments and contingent liabilities		
Shareholders' equity:		
Preferred stock, no par value: 2,000 shares authorized (none issued)	-	-
Common stock, $0.01 par value; 80,000 shares authorized; 35,343 and 35,321 outstanding	353	353
Additional paid in capital	85,148	82,816
Retained earnings	86,764	103,571
Total Spartan Motors, Inc. shareholders’ equity	172,265	186,740
Non-controlling interest	(518)	(658)
Total shareholders' equity	171,747	186,082
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 450,537	$ 353,784

See accompanying Notes to Consolidated Financial Statements.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended December 31,		
	2019	**2018**	**2017**
Sales	$ 756,542	$ 570,527	$ 404,248
Cost of products sold	639,509	497,370	341,176
Restructuring charges	6	13	120
Gross profit	**117,027**	**73,144**	**62,952**
Operating expenses:			
Research and development	4,864	3,771	3,596
Selling, general and administrative	64,473	46,206	39,329
Restructuring charges	76	649	678
Total operating expenses	69,413	50,626	43,603
Operating income	**47,614**	**22,518**	**19,349**
Other income (expense):			
Interest expense	(1,839)	(1,080)	(98)
Interest and other income	1,370	12	602
Total other (expense) income	(469)	(1,068)	504
Income from continuing operations before income taxes	47,145	21,450	19,853
Income tax expense	10,355	3,334	2,382
Income from continuing operations	36,790	18,116	17,471
Loss from discontinued operations, net of income taxes	(49,216)	(3,104)	(1,537)
Net (loss) income	(12,426)	15,012	15,934
Less: net income (loss) attributable to non-controlling interest	140	-	(1)
Net (loss) income attributable to Spartan Motors, Inc.	**$ (12,566)**	**$ 15,012**	**$ 15,935**
Basic earnings per share			
Continuing operations	$ 1.03	$ 0.52	$ 0.50
Discontinued operations	$ (1.39)	$ (0.09)	$ (0.04)
Basie earnings per share	**$ (0.36)**	**$ 0.43**	**$ 0.46**
Diluted earnings per share			
Continuing operations	$ 1.03	$ 0.52	$ 0.50
Discontinued operations	$ (1.39)	$ (0.09)	$ (0.04)
Diluted earnings per share	**$ (0.36)**	**$ 0.43**	**$ 0.46**
Basic weighted average common shares outstanding	35,318	35,187	34,949
Diluted weighted average common shares outstanding	35,416	35,187	34,949

See accompanying Notes to Consolidated Financial Statements

SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2019, 2018 and 2017
(In thousands, except per share data)

	Number of Shares	Common Stock	Additional Paid In Capital	Retained Earnings	Non-Controlling Interest	Total Shareholders' Equity
Balance at December 31, 2016	34,383	344	76,837	76,428	(657)	152,952
Issuance of common stock related to stock incentive plan transactions	29	-	(645)	-	-	(645)
Dividends declared ($0.10 per share)	-	-	-	(3,508)	-	(3,508)
Issuance of restricted stock, net of cancellation	685	7	(7)	-	-	-
Stock-based compensation expense	-	-	3,536	-	-	3,536
Net income (loss)	-	-	-	15,935	(1)	15,934
Balance at December 31, 2017	35,097	351	79,721	88,855	(658)	168,269
Transition adjustment for adoption of new revenue recognition standard	-	-	-	3,668	-	3,668
Balance at December 31, 2017, Adjusted	35,097	351	79,721	92,523	(658)	171,937
Issuance of common stock related to stock incentive plan transactions	13	-	(2,670)	-	-	(2,670)
Dividends declared ($0.10 per share)	-	-	-	(3,516)	-	(3,516)
Purchase and retirement of common stock	(90)	(1)	(207)	(448)		(656)
Issuance of common stock related to investment in subsidiary	247	2	1,946	-	-	1,948
Issuance of restricted stock, net of cancellation	54	1	(1)	-	-	-
Stock-based compensation expense	-	-	4,027	-	-	4,027
Net income	-	-	-	15,012	-	15,012
Balance at December 31, 2018	35,321	353	82,816	103,571	(658)	186,082
Transition adjustment for adoption of new lease standard	-	-	-	(113)	-	(113)
Balance at December 31, 2018, Adjusted	35,321	353	82,816	103,458	(658)	185,969
Issuance of common stock related to stock incentive plan transactions	28	-	(766)	-	-	(766)
Dividends declared ($0.10 per share)	-	-	-	(3,572)	-	(3,572)
Purchase and retirement of common stock	(101)	(1)	(236)	(556)		(793)
Cancellation of common stock related to investment in subsidiary	-	-	(1,946)	-	-	(1,946)
Issuance of restricted stock, net of cancellation	96	1	(1)	-	-	-
Stock-based compensation expense	-	-	5,281	-	-	5,281
Net (loss) income	-	-	-	(12,566)	140	(12,426)
Balance at December 31, 2019	35,344	$ 353	$ 85,148	$ 86,764	$ (518)	$ 171,747

See accompanying Notes to Consolidated Financial Statements.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2019	**2018**	**2017**
Cash flows from operating activities:			
Net (loss) income	$ (12,426)	$ 15,012	$ 15,934
Adjustments to reconcile net (loss) income to net cash provided by operating activities			
Depreciation and amortization	11,180	10,370	9,937
Gain on disposal of assets	(14)	-	(13)
Impairment of goodwill and intangible assets	13,856	-	-
Impairment of assets held for sale	39,275	-	-
Accruals for warranty	12,671	8,660	9,099
Expense from changes in fair value of contingent consideration	-	(693)	
Deferred income taxes	(18,225)	(755)	(3,974)
Non-cash stock based compensation expense	5,281	4,027	3,536
Decrease (increase) in operating assets, net of effects of acquisition:			
Accounts receivable	22,812	(22,490)	(18,576)
Contract assets	(10,112)	(5,467)	-
Inventories	(14,783)	(24,340)	42,920
Income taxes receivable	-	-	1,287
Other assets	(709)	(658)	851
Increase (decrease) in operating liabilities, net of effects of acquisition:			
Accounts payable	(20,404)	35,297	5,366
Cash paid for warranty repairs	(11,818)	(10,838)	(13,854)
Accrued compensation and related taxes	7,737	(2,789)	(1,530)
Deposits from customers	1,163	4,444	(33,648)
Other current liabilities and accrued expenses	954	1,094	240
Other long-term liabilities	291	(345)	1,725
Other	(1,235)	-	-
Accrued income taxes	8,687	(2,503)	2,716
Total adjustments	46,607	(6,986)	6,082
Net cash provided by operating activities	34,181	8,026	22,016
Cash flows from investing activities:			
Purchases of property, plant and equipment	(10,042)	(8,985)	(5,340)
Proceeds from sale of property, plant and equipment	15	-	13
Acquisition of business, net of cash acquired	(88,938)	(5,200)	(28,903)
Net cash used in investing activities	(98,965)	(14,185)	(34,230)
Cash flows from financing activities:			
Proceeds from long-term debt	92,000	7,684	32,919
Payments on long-term debt	(30,175)	(66)	(15,070)
Payment of contingent consideration on acquisitions	-	(701)	-
Purchase and retirement of common stock	(793)	(656)	-
Net cash used in the exercise, vesting or cancellation of stock incentive awards	(766)	(2,670)	(645)
Payment of dividends	(3,572)	(3,516)	(3,508)
Net cash provided by financing activities	56,694	75	13,696
Net (decrease) increase in cash and cash equivalents	(8,090)	(6,084)	1,482
Cash and cash equivalents at beginning of year	27,439	33,523	32,041
Cash and cash equivalents at end of year	$ 19,349	$ 27,439	$ 33,523

Note: Consolidated Statements of Cash Flows include continuing operations and discontinued operations for all years presented.

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 – GENERAL AND SUMMARY OF ACCOUNTING POLICIES

Nature of Operations. Spartan Motors, Inc. (the "Company", "we", or "us") is a niche market leader in specialty vehicle manufacturing and assembly for the commercial vehicle (including last-mile delivery, specialty service and vocation-specific upfit segments) and recreational vehicle industries. Our products include walk-in vans and truck bodies used in e-commerce/parcel delivery, upfit equipment used in the mobile retail and utility trades, luxury Class A diesel motor home chassis, military vehicles, and contract manufacturing and assembly services. We also supply replacement parts and offer repair, maintenance, field service and refurbishment services for the vehicles that we manufacture. Our operating activities are conducted through our wholly-owned operating subsidiary, Spartan Motors USA, Inc. ("Spartan USA"), with locations in Charlotte, Michigan; Ephrata, Pennsylvania; Pompano Beach, Florida; Bristol, Indiana; North Charleston, South Carolina; Kansas City, Missouri; Montebello, Carson, Union City and Roseville, California; Mesa, Arizona; Dallas and Weatherford, Texas; and Saltillo, Mexico.

On February 1, 2020, the Company completed its sale of the Emergency Response and Vehicle ("ERV") business for $55,000 in cash, subject to certain post-closing adjustments. The ERV business consisted of the emergency response cab-chassis and apparatus operations in Charlotte, Michigan, and the Spartan apparatus operations in Brandon, South Dakota; Snyder and Neligh, Nebraska; and Ephrata, Pennsylvania. See "Note 2 – *Discontinued Operations*" for further discussion regarding this transaction.

On September 9, 2019, the Company entered into a Unit Purchase Agreement with Fortress Resources, LLC D/B/A Royal Truck Body ("Royal"), pursuant to which the Company acquired all the outstanding equity interests of Royal for $89,369 in cash. Royal is a leading California-based designer, manufacturer and installer of service truck bodies and accessories. Royal manufactures and assembles truck body options for various trades, service truck bodies, stake body trucks, contractor trucks, and dump bed trucks. Royal is the largest service body company in the western United States with its principal facility in Carson, California. Royal has additional manufacturing, assembly, and service space in branch locations in Union City and Roseville, California; Mesa, Arizona; and Dallas and Weatherford, Texas. This acquisition allows us to quickly expand our footprint in the western United States supporting our strategy of coast-to-coast manufacturing and distribution. Royal is part of our Specialty Chassis and Vehicle segment.

On June 12, 2019, the Company acquired certain assets and assumed certain liabilities of General Truck Body, Inc., located in Montebello, California, through the Company's wholly-owned subsidiary, Spartan Motors GTB, LLC ("GTB"). GTB is a provider of upfit services for government and non-government vehicles. The acquisition will enable the Company to increase its product offerings to fleet customers, while further expanding its manufacturing capabilities in the U.S. market. Spartan Motors GTB, LLC is reported as part of the Fleet Vehicles and Services segment.

On December 17, 2018, the Company acquired all of the assets and assumed certain liabilities of Strobes-R-Us, Inc., located in Pompano Beach, Florida, through the Company's majority-owned subsidiary, Spartan Upfit Services, Inc. dba Strobes-R-Us ("SRUS"). The total purchase price paid was $7,032, consisting of $5,200 in cash plus a $1,832 contingency for performance-based earn-out payments. SRUS is a premier provider of upfit services for government and non-government vehicles. The acquisition will enable the Company to increase its product offerings to fleet customers, while further expanding its manufacturing capabilities into the southeastern U.S. market. As part of this acquisition, Spartan acquired Strobes-R-Us' state-of-the-art upfit facility and product showroom in Pompano Beach, Florida. Spartan Upfit Services, Inc. and the related noncontrolling interest is reported as part of the Fleet Vehicles and Services segment.

Principles of Consolidation. The consolidated financial statements include our accounts and the accounts of our wholly owned subsidiary, Spartan USA and its subsidiaries. All inter-company transactions have been eliminated.

Non-Controlling Interest
At December 31, 2019, Spartan USA held a 50% share in Spartan-Gimaex, however, due to the management and operational structure of the joint venture, Spartan USA was considered to have had the ability to control the operations of Spartan-Gimaex. Accordingly, Spartan-Gimaex is reported as a consolidated subsidiary of Spartan Motors, Inc. The joint venture is not currently active and is in the process of being dissolved. At December 31, 2019, the Company holds an 80% share in SRUS, which is reported as a consolidated subsidiary of the Company within the Fleet Vehicles and Services segment.

Use of Estimates. In the preparation of our financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"), management uses estimates and makes judgments and assumptions that affect asset and liability values and the amounts reported as income and expense during the periods presented. Certain of these estimates, judgments and assumptions, such as the allowance for credit losses, warranty expenses, impairment assessments of tangible and intangible assets, and the provision for income taxes, are particularly sensitive. If actual results are different from estimates used by management, they may have a material impact on the financial statements.

Revenue Recognition. Essentially all of our revenue is generated through contracts with our customers. We may recognize revenue over time or at a point in time when or as obligations under the terms of a contract with our customer are satisfied, depending on the terms and features of the contract and the products supplied. Our contracts generally do not have any significant variable consideration. The collectability of consideration on the contract is reasonably assured before revenue is recognized. On certain vehicles, payment may be received in advance of us satisfying our performance obligations. Such payments are recorded in Deposits from customers on the Consolidated Balance Sheets. The corresponding performance obligations are generally satisfied within one year of the contract inception. In such cases, we have elected to apply the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component. The financing impact on contracts that contain performance obligations that are not expected to be satisfied within one year are expected to be immaterial to our consolidated financial statements.

We have elected to utilize the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred because the amortization period for the prepaid costs that would have otherwise been deferred and amortized is one year or less. We use an observable price to allocate the stand-alone selling price to separate performance obligations within a contract or a cost-plus margin approach when an observable price is not available. The estimated costs to fulfill our base warranties are recognized as expense when the products are sold (see "Note 12 – *Commitments and Contingent Liabilities*" for further information on warranties). Our contracts with customers do not contain a provision for product returns, except for contracts related to certain parts sales.

Revenue for parts sales for all segments is recognized at the time that control and risk of ownership has passed to the customer, which is generally when the ordered part is shipped to the customer. Historical return rates on parts sales have been immaterial. Accordingly, no return reserve has been recorded. Instead, returns are recognized as a reduction of revenue at the time that they are received.

For certain of our vehicles and chassis, we sell separately priced service contracts that provide roadside assistance or extend certain warranty coverage beyond our base warranty agreements. These separately priced contracts range from one to six years from the date of the shipment of the related vehicle or chassis. We receive payment with the shipment of the related vehicle or at the inception of the extended service contract, if later, and recognize revenue over the coverage term of the agreement, generally on a straight-line basis, which approximates the pattern of costs expected to be incurred in satisfying the obligations under the contract.

Distinct revenue recognition policies for our segments are as follows:

Fleet Vehicles and Services
Our walk-in vans and truck bodies are generally built on a chassis that is owned and controlled by the customer. Due to the customer ownership of the chassis, the performance obligation for these walk-in vans and truck bodies is satisfied as the vehicles are built. Accordingly, the revenue and corresponding cost of products sold associated with these contracts are recognized over time based on the inputs completed for a given performance obligation during the reporting period. Certain contracts will specify that a walk-in van or truck body is to be built on a chassis that we purchase and subsequently sell to the customer. The revenue on these contracts is recognized at the time that the performance obligation is satisfied, and control and risk of ownership has passed to the customer, which is generally upon shipment of the vehicle from our manufacturing facility to the customer or receipt of the vehicle by the customer, depending on contract terms. We have elected to treat shipping and handling costs subsequent to transfer of control as fulfillment activities and, accordingly, recognize these costs as the revenue is recognized.

Revenue for upfit and field service contracts is recognized over time, as equipment is installed in the customer's vehicle or as repairs and enhancements are made to the customer's vehicles. Revenue and the corresponding cost of products sold is estimated based on the inputs completed for a given performance obligation. Our performance obligation for upfit and field service contracts is satisfied when the equipment installation or repairs and enhancements of the customer's vehicle has been completed. Our receivables are generally collected in less than three months, in accordance with our underlying payment terms.

Specialty Chassis and Vehicles
We recognize revenue and the corresponding cost of products sold on the sale of motor home chassis when the performance obligation is completed and control and risk of ownership of the chassis has passed to our customer, which is generally upon shipment of the chassis to the customer.

Revenue and the corresponding cost of products sold associated with other specialty chassis is recognized over time based on the inputs completed for a given performance obligation during the reporting period. Other specialty chassis are generally built on a chassis that is owned and controlled by the customer. Due to the customer ownership of the chassis, the performance obligations for other specialty chassis contracts are satisfied as the products are assembled. Our receivables will generally be collected in less than three months, in accordance with our underlying payment terms.

Business Combinations. When acquiring other businesses, we recognize identifiable assets acquired and liabilities assumed at their acquisition date estimated fair values, and separately from any goodwill that may be required to be recognized. Goodwill, when recognizable, is measured as the excess amount of any consideration transferred, which is measured at fair value, over the acquisition date fair values of the identifiable assets acquired and liabilities assumed. Amounts recorded in a business combination may change during the measurement period, which is a period not to exceed one year from the date of acquisition, as additional information about conditions existing at the acquisition date becomes available.

Accounting for such acquisitions requires us to make significant assumptions and estimates and, although we believe any estimates and assumptions we make are reasonable and appropriate at the time they are made, unanticipated events and circumstances may arise that affect their accuracy, which may cause actual results to differ from those estimated by us. When necessary, we will adjust the values of the assets acquired and liabilities assumed against the goodwill or acquisition gain, as initially recorded, for a period of up to one year after the acquisition date.

Costs incurred to effect an acquisition, such as legal, accounting, valuation or other third-party costs, as well as internal general and administrative costs incurred are charged to expense in the periods incurred.

Shipping and Handling of Products. Costs incurred related to the shipment and handling of products are classified in cost of products sold. Amounts billed to customers for shipping and handling of products are included in sales.

Cash and Cash Equivalents include cash on hand, cash on deposit, treasuries and money market funds. We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable. Our receivables are subject to credit risk, and we do not typically require collateral on our accounts receivable. We perform periodic credit evaluations of our customers' financial condition and generally require a security interest in the products sold. Receivables generally are due within 30 to 60 days. We maintain an allowance for customer accounts that reduces receivables to amounts that are expected to be collected. In estimating the allowance for doubtful accounts, management makes certain assumptions regarding the risk of uncollectable open receivable accounts. This risk factor is applied to the balance on accounts that are aged over 90 days: generally, this reserve has an estimated range from 10-25%. The risk percentage applied to the aged accounts may change based on conditions such as: general economic conditions, industry-specific economic conditions, historical and anticipated customer performance, historical experience with write-offs and the level of past-due amounts from year to year. However, generally our assumptions are consistent year-over-year and there has been little adjustment made to the percentages used. In addition, in the event there are certain known risk factors with an open account, we may increase the allowance to include estimated losses on such specific account balances. The specific reserves are identified by a periodic review of the aged accounts receivable. If there is an account in question, credit checks are made and there is communication with the customer, along with other means to try to assess if a specific reserve is required. Past due accounts are written off when collectability is determined to be no longer assured.

Inventories are stated at the lower of first-in, first-out cost or net realizable value. Estimated inventory allowances for slow-moving inventory are based upon current assessments about future demands, market conditions and related management initiatives. If market conditions are less favorable than those projected by management, additional inventory allowances may be required.

Contract Assets arise upon the transfer of goods or services to a customer before the customer pays consideration. The Company will present the contract as either a contract asset or as a receivable, depending on the nature of the entity's right to consideration for its performance. Contract assets are a right to consideration in exchange for goods or services that the Company has transferred to a customer, when the right is conditioned on something other than the passage of time.

Property, Plant and Equipment is stated at cost and the related assets are depreciated over their estimated useful lives on a straight-line basis for financial statement purposes and an accelerated method for income tax purposes. Cost includes an amount of interest associated with significant capital projects. Estimated useful lives range from 20 years for buildings and improvements, three to 15 years for plant machinery and equipment, three to seven years for furniture and fixtures and three to five years for vehicles. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the asset. Maintenance and repair costs are charged to earnings, while expenditures that increase asset lives are capitalized. We review our property, plant and equipment, along with all other long-lived assets that have finite lives, including finite-lived intangible assets, for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. See "Note 8 – *Property, Plant and Equipment*" for further information on our property and equipment.

Assets and Liabilities Held for Sale We classify assets and liabilities (disposal groups) to be sold as held for sale in the period in which all of the following criteria are met: management, having the authority to approve the action, commits to a plan to sell the disposal group; the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups; an active program to locate a buyer and other actions required to complete the plan to sell the disposal group have been initiated; the sale of the disposal group is probable, and transfer of the disposal group is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond the Company's control extend the period of time required to sell the disposal group beyond one year; the disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

We initially measure a disposal group that is classified as held for sale at the lower of its carrying value or fair value less costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a disposal group until the date of sale. We assess the fair value of a disposal group each reporting period it remains classified as held for sale and reports any subsequent changes as an adjustment to the carrying value of the disposal group, as long as the new carrying value does not exceed the carrying value of the disposal group at the time it was initially classified as held for sale.

Upon determining that a disposal group meets the criteria to be classified as held for sale, the Company reports the assets and liabilities of the disposal group, if material, in the line items assets held for sale and liabilities held for sale in the Consolidated Balance Sheets. Depreciation is not recorded during the period in which the long-lived assets, included in the disposal group, are classified as held for sale.

Additionally, we report the reporting results for a disposal group in discontinued operations separately from continuing operations to distinguish the financial impact of disposal transactions from ongoing operations if the disposal represents a strategic shift that has or will have a major effect on our operations and financial results.

Related Party Transactions. We purchase certain components used in the manufacture of our products and logistics services from parties that could be considered related to us because one or more of our executive officers or board members is also an executive officer or board member of the related party. See "Note 19– *Related Party Transactions*" for more information regarding our transactions with related parties.

Goodwill and Other Intangible Assets. Goodwill represents the excess of the cost of a business combination over the fair value of the net assets acquired. Goodwill and intangible assets deemed to have indefinite lives are not amortized but are subject to impairment tests on an annual basis, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is allocated to the reporting unit from which it was created. A reporting unit is an operating segment or sub-segment to which goodwill is assigned when initially recorded. We review indefinite lived intangible assets annually for impairment by comparing the carrying value of those assets to their fair value.

Other intangible assets with finite lives are amortized over their estimated useful lives and are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

We perform our annual goodwill and indefinite lived intangible assets impairment test as of October 1 and monitor for interim triggering events on an ongoing basis. For goodwill we first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Under authoritative guidance, we are not required to calculate the fair value of a reporting unit unless we determine that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. We have the option to bypass the qualitative assessment and proceed to a quantitative impairment test.

If we elect to bypass the qualitative assessment for a reporting unit, or if after completing the assessment we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we perform a quantitative impairment test, whereby we compare the fair value of a reporting unit with its carrying amount, including goodwill. The fair value of the reporting unit is determined by estimating the future cash flows of the reporting unit to which the goodwill relates, and then discounting the future cash flows at a market-participant-derived weighted-average cost of capital ("WACC"). In determining the estimated future cash flows, we consider current and projected future levels of income based on our plans for that business; business trends, prospects and market and economic conditions; and market-participant considerations. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered to not be impaired. If the carrying amount of the reporting unit exceeds its estimated fair value, an impairment loss is recognized in an amount equal to the excess, up to the carrying value of the goodwill.

We evaluate the recoverability of our indefinite lived intangible assets, which consists of our Utilimaster, Smeal and Royal Truck Body trade names, by comparing the estimated fair value of the trade names with their carrying values. We estimate the fair value of our trade names based on estimates of future royalty payments that are avoided through our ownership of the trade name, discounted to their present value. In determining the estimated fair value of the trade names, we consider current and projected future levels of sales based on our plans for Utilimaster, Smeal and Royal Truck Body branded products, business trends, prospects and market and economic conditions.

Significant judgments inherent in these assessments and analyses include assumptions about macroeconomic and industry conditions, appropriate sales growth rates, WACC and the amount of expected future net cash flows. The judgments and assumptions used in the estimate of fair value are generally consistent with the projections and assumptions that are used in current operating plans. Such assumptions are subject to change because of changing economic and competitive conditions. The determination of fair value is highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of the reporting units and trade names. See "Note 2 – *Discontinued Operations*" in the Notes to the Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further details on our goodwill and indefinite-lived intangible assets related to the ERV business. See "Note 7 – *Goodwill and Intangible Assets*" for further details on our goodwill and other intangible assets.

Warranties. Our policy is to record a provision for the estimated cost of warranty-related claims at the time of the sale, and periodically adjust the warranty liability to reflect actual experience. The amount of warranty liability accrued reflects management's best estimate of the expected future cost of honoring our obligations under the warranty agreements. Expense related to warranty liabilities accrued for product sales, as well as adjustments to pre-existing warranty liabilities, are reflected within Cost of products sold on our Consolidated Statements of Operations. Our estimates are based on historical experience, the number of units involved, and the extent of features and components included in product models. See "Note 12 – *Commitments and Contingent Liabilities*" for further information regarding warranties.

Deposits from Customers. We sometimes receive advance payments from customers for product orders and record these amounts as liabilities. We accept such deposits when presented by customers seeking improved pricing in connection with orders that are placed for products to be manufactured and sold at a future date. Sales associated with these deposits are recognized over time based on the inputs completed for a given performance obligation during the reporting period or deferred and recognized upon shipment of the related product to the customer depending on the terms of the contract.

Research and Development. Our research and development costs, which consist of compensation costs, travel and entertainment, administrative expenses and new product development among other items, are expensed as incurred.

Taxes on Income. We recognize deferred income tax assets and liabilities using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. Deferred tax liabilities generally represent tax expense recognized for which payment has been deferred, or expenses which have been deducted in our tax returns, but which have not yet been recognized as an expense in our financial statements.

We establish valuation allowances for deferred income tax assets in accordance with GAAP, which provides that such valuation allowances shall be established unless realization of the income tax benefits is more likely than not. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At each reporting period, we consider the scheduled reversal of deferred tax liabilities, available taxes in carryback periods, tax planning strategies and projected future taxable income in making this assessment.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. The determination is based on the technical merits of the position and presumes that each uncertain tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information. Although we believe the estimates are reasonable, no assurance can be given that the final outcome of these matters will not be different than what is reflected in the historical income tax provisions and accruals.

Interest and penalties attributable to income taxes are recorded as a component of income taxes. See "Note 10 – *Taxes on Income*" for further details on our income taxes.

Earnings Per Share. Basic earnings per share is based on the weighted average number of common shares outstanding during the period. Diluted earnings per share also include the dilutive effect of additional potential common shares issuable from stock-based awards and are determined using the treasury stock method. Basic earnings per share represents net earnings divided by basic weighted average number of common shares outstanding during the period. Diluted earnings per share represents net earnings divided by diluted weighted average number of common shares outstanding, which includes the average dilutive effect of all potentially dilutive securities that are outstanding during the period. Our unvested restricted stock units and performance stock units are included in the number of shares outstanding for diluted earnings per share calculations, unless a net loss is reported, in which situation unvested stock awards are excluded from the number of shares outstanding for diluted earnings per share calculations. See "Note 15 – *Stock-Based Compensation*" and "Note 17 – *Earnings Per Share*" for further details.

Stock-Based Compensation. Stock based compensation costs for equity-based awards is measured on the grant date based on the estimated fair value of the award at that date, and is recognized over the requisite service period, net of estimated forfeitures. Fair value of restricted stock awards, restricted stock units and performance stock units subject to a performance condition is based upon the quoted market price of the common stock on the date of grant. Fair value of performance stock units subject to a market condition is calculated using the Monte Carlo simulation model. Our stock-based compensation plans are described in more detail in "Note 15 – *Stock Based Compensation*".

Fair Value. We are required to disclose the estimated fair value of our financial instruments. The carrying value at December 31, 2019 and 2018 of cash and cash equivalents, accounts receivable and accounts payable approximate their fair value due to their short-term nature. The carrying value of variable rate debt instruments approximate their fair value based on their relative terms and market rates.

Segment Reporting. We identify our reportable segments based on our management structure and the financial data utilized by the chief operating decision maker to assess segment performance and allocate resources among our operating units. We have two reportable segments: Fleet Vehicles and Services and Specialty Chassis and Vehicles. More detailed information about our reportable segments can be found in "Note 18 – *Business Segments*".

Supplemental Disclosures of Cash Flow Information. Cash paid for interest was $1,844, $630 and $619 for 2019, 2018 and 2017. Cash paid for income taxes, net of refunds, was $4,942, $5,054 and $0 for 2019, 2018 and 2017. Non-cash investing in 2018 included the issuance of the Company's stock in the amount of $1,950, which was reversed in 2019, and a contingent liability for the value of future consideration of $1,832 in conjunction with our acquisition of SRUS. See "Note 3 – *Acquisition Activities*" for further information about the acquisition.

New Accounting Standards

In December 2019, the FASB issued Accounting Standards Update No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"). ASU 2019-12 is intended to simplify the accounting for income taxes by removing certain exceptions to the general principles of Topic 740 and improving consistent application of GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The provisions of this standard are effective for reporting periods beginning after December 15, 2020 and early adoption is permitted. The adoption of the provisions of ASU 2019-12 is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

In June 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 is intended to introduce a revised approach to the recognition and measurement of credit losses, emphasizing an updated model based on expected losses rather than incurred losses. The provisions of this standard are effective for reporting periods beginning after December 15, 2019 and early adoption is permitted. The adoption of the provisions of ASU 2016-13 is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases* ("ASU 2016-02"). The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. We adopted ASU 2016-02 as of January 1, 2019 using the modified retrospective approach. See the "*Adoption of Lease Accounting Policy*" section below and "Note 9 – *Leases*" for a description of the impact of the adoption of the provisions of ASU 2016-02 on our consolidated financial position, results of operations and cash flows

Except for the changes below, we have consistently applied the accounting policies to all periods presented in these consolidated financial statements.

Adoption of Lease Accounting Policy

We applied ASU 2016-02 and all related amendments ("ASC 842") using the modified retrospective method by recognizing the cumulative effect of adoption as an adjustment to the opening balance of retained earnings at January 1, 2019. Therefore, the comparative information has not been adjusted and continues to be reported under prior leasing guidance. In addition, we elected to apply the following package of practical expedients on a consistent basis permitting entities not to reassess: (i) whether any expired or existing contracts are or contain a lease; (ii) lease classification for any expired or existing leases and (iii) whether initial direct costs for any expired or existing leases qualify for capitalization under the amended guidance. As a result, as of January 1, 2019 we recorded ROU assets of $13,582 for operating leases and $675 for financing leases. We also recorded operating lease liabilities of $13,716 and finance lease liabilities of $696. The decrease to retained earnings was $113, net of the tax effect of $42 reflecting the cumulative impact of the accounting change. The standard did not have a material effect on consolidated net income (loss) or cash flows.

We determine if an arrangement is a lease at inception. Operating leases are included in ROU assets - operating leases, Operating lease liability, and Long-term operating lease liability on our Consolidated Balance Sheets. Finance leases are included in Other assets, Other current liabilities and accrued expenses and Other non-current liabilities on our Consolidated Balance Sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. We include options to extend or terminate the lease in our lease term when it is reasonably certain that we will exercise that option. Lease expense for lease payments on operating leases is recognized on a straight-line basis over the lease term.

We do not record a ROU asset or lease liability for leases with an expected term of 12 months or less. Expenses for these leases are recognized on a straight-line basis over the lease term.

We have lease agreements with lease and non-lease components, which are accounted for separately for leases related to real property. For leases related to personal property we account for lease and non-lease components associated with a lease as a single lease component.

(Dollar amounts in thousands, except per share data)

NOTE 2 – DISCONTINUED OPERATIONS

On February 1, 2020, we completed the sale of our ERV business for $55,000 in cash, subject to certain post-closing adjustments. The ERV business included the emergency response chassis operations in Charlotte, Michigan, and operations in Brandon, South Dakota; Snyder and Neligh, Nebraska; and Ephrata, Pennsylvania. The ERV business met the accounting criteria for held for sale classification as of December 31, 2019. The results of the ERV business have been reclassified to Loss from discontinued operations, net of tax in the Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017.

The Loss from discontinued operations presented in the Consolidated Statement of Operations for the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,		
	2019	2018	2017
Sales	$ 261,860	$ 245,637	$ 302,850
Cost of products sold	245,785	220,526	276,567
Gross profit	16,075	25,111	26,283
Operating expenses	28,864	31,516	29,461
Operating loss	(12,789)	(6,405)	(3,178)
Loss on asset impairments	53,131	-	-
Other income (expense)	1,021	2,228	(651)
Loss from discontinued operations before taxes	(64,899)	(4,177)	(3,829)
Income tax benefit	15,683	1,073	2,292
Net loss from discontinued operations	$ (49,216)	$ (3,104)	$ (1,537)

In the annual goodwill and intangible assets impairment test as of October 1, 2019, we determined that the fair value of our ERV business and Smeal trade name were less than their carrying values due to under-performance in 2019 which was expected to continue in future periods. As a result, we recorded impairment expense of $13,856 to write off the goodwill and indefinite lived intangible assets. In conjunction with the classification of the ERV business as held for sale as of December 31, 2019, we recorded a loss of $39,275 to write down the carrying values of the associated assets and liabilities to their fair values less estimated costs to sell of $3,604. The assets and liabilities of the discontinued operations are presented separately under the captions “Current assets held for sale”, “Noncurrent assets held for sale” and “Current liabilities held for sale” in the Consolidated Balance Sheets as of December 31, 2019 and 2018.

(Dollar amounts in thousands, except per share data)

	December 31, 2019 [1]	December 31, 2018 [1]
Assets:		
Accounts receivable, net	$ 30,760	$ 38,792
Contract assets	36,740	26,798
Inventories	32,329	30,779
Other current assets	1,142	1,118
Property, plant and equipment,	21,967	24,082
Right of use assets – operating leases	5,960	-
Goodwill	-	11,456
Intangible assets	1,050	3,600
Other noncurrent assets	52	52
Impairment of carrying value	(39,275)	-
Total assets held for sale	$ 90,725	$ 136,677

	December 31, 2019[1]	December 31, 2018[1]
Liabilities:		
Accounts payable	4,213	3,015
Accrued warranty	11,347	11,683
Accrued compensation and related taxes	3,047	2,842
Deposits from customers	21,409	21,761
Operating lease liability	727	-
Other current liabilities	3,495	3,776
Long-term operating lease liability	5,363	-
Total liabilities held for sale	$ 49,601	$ 43,077

[1] As of December 31, 2019, assets and liabilities held for sale were classified as current. As of December 31, 2018, current and noncurrent assets held for sale were $97,487 and $39,190, respectively, and current liabilities held for sale was $43,077.

Total depreciation and amortization and capital expenditures for the discontinued operations for the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,		
	2019	2018	2017
Depreciation and amortization	$ 5,106	$ 4,156	$ 3,905
Capital expenditures	$ 2,431	$ 4,332	$ 1,364

NOTE 3 – ACQUISITION ACTIVITIES

2019 Acquisition

On September 9, 2019, the Company completed the acquisition of Fortress Resources, LLC D/B/A Royal Truck Body (“Royal”) pursuant to which the Company acquired all the outstanding equity interests of Royal. The Company paid $89,369 in cash. The purchase price is subject to certain customary post-closing adjustments. The acquisition was financed using $89,369 borrowed from our existing $175,000 line of credit, as set forth in the Second Amended and Restated Credit Agreement, dated as of August 8, 2018. Included in our results since the September 9, 2019 acquisition are net sales of $17,073 and operating income of $2,382 for the year ended December 31, 2019.

(Dollar amounts in thousands, except per share data)

Royal is a leading California-based designer, manufacturer and installer of service truck bodies and accessories. Royal manufactures and assembles truck body options for various trades, service truck bodies, stake body trucks, contractor trucks, and dump bed trucks. Royal is the largest service body company in the western United States with its principal facility in Carson, California. Royal has additional manufacturing, assembly, and service space in branch locations in Union City and Roseville, California; Mesa, Arizona; and Dallas and Weatherford, Texas. This acquisition allows us to quickly expand our footprint in the western United States supporting our strategy of coast-to-coast manufacturing and distribution. Royal is part of our Specialty Chassis & Vehicle segment.

During the year ended 2019, we recorded pretax charges totaling $1,691 for legal expenses and other transaction costs related to the acquisition. These charges, which were expensed in accordance with the accounting guidance for business combinations, were recorded in “Selling, general and administrative” and reflected within the “Eliminations and Other” column in the business segment table in "Note 18 – *Business Segments.*"

Purchase Price Allocation
This acquisition was accounted for using the acquisition method of accounting with the purchase price allocated to the assets purchased and liabilities assumed based upon their estimated fair values at the date of acquisition. Identifiable intangible assets include customer relationships, trade names and trademarks, patented technology and non-competition agreements. The preliminary excess of the purchase price over the estimated fair values of the net tangible and intangible assets acquired of $27,476 was recorded as goodwill, which is expected to be deductible for tax purposes. The preliminary goodwill recognized is subject to a final net working capital adjustment.

The fair value of the net assets acquired was based on a preliminary valuation and the estimates and assumptions are subject to change within the measurement period. The Company is working with the buyer to finalize the working capital adjustments which may impact goodwill. The Company will finalize the purchase price allocation as soon as practicable within the measurement period, but in no event later than one year following the acquisition date.

The preliminary allocation of purchase price to assets acquired and liabilities assumed was as follows:

Cash and cash equivalents	$	431
Accounts receivable, less allowance		5,019
Contract assets		1,499
Inventory		6,453
Other receivables – chassis pool agreements		10,424
Property, plant and equipment, net		4,980
Right of use assets-operating leases		12,767
Intangible assets		47,150
Goodwill		27,476
Total assets acquired		116,199
Accounts payable		1,658
Customer prepayments		255
Accrued warranty		98
Operating lease liabilities		1,693
Accrued compensation and related taxes		569
Other current liabilities and accrued expenses		30
Short-term debt – chassis pool agreements		10,424
Long-term operating lease liability		11,074
Long-term debt, less current portion		1,029
Total liabilities assumed		26,830
Total purchase price	$	89,369

Goodwill Assigned
Intangible assets totaling $47,150 have provisionally been assigned to customer relationships, trade names and trademarks, patented technology and non-competition agreements as a result of the acquisition and consist of the following (in thousands):

	Amount	Useful Life (in years)
Customer relationships	$ 30,000	15
Trade names and trademarks	13,000	Indefinite
Patented technology	2,200	8
Non-competition agreements	1,950	5
	$ 47,150	

The Company amortizes the customer relationships utilizing an accelerated approach and patented technology and non-competition agreements assets utilizing a straight-line approach. Amortization expense, including the intangible assets preliminarily recorded from the Royal acquisition, is $666 for 2019, and estimated to be $2,665, $2,665, $3,162, and $3,072 for the years 2020 through 2023, respectively.

Goodwill consists of operational synergies that are expected to be realized in both the short and long-term and the opportunity to enter into new markets which will enable us to increase value to our customers and shareholders. Key areas of expected cost savings include an expanded dealer network, complementary product portfolios and manufacturing and supply chain work process improvements.

Pro Forma Results (Unaudited)
The following table provides unaudited pro forma net sales and results of operations for the years ended December 31, 2019 and 2018. The unaudited pro forma results reflect certain adjustments related to the acquisition, such as changes in the depreciation and amortization expense on the Royal assets acquired resulting from the fair valuation of assets acquired, expenses incurred to complete the acquisition and the impact of acquisition financing. The pro forma results do not include any anticipated cost synergies or other effects of the planned integration of Royal. Accordingly, such pro forma amounts are not necessarily indicative of the results that would have occurred nor are they indicative of the future operating results of the combined company.

	Year ended December 31, 2019	2018
Pro forma results of operations from continuing operations		
Net sales	$ 789,585	$ 612,337
Net income	$ 36,760	$ 19,158
Diluted earnings per share	$ 1.04	$ 0.54

2018 Acquisition

On December 17, 2018, the Company acquired the assets and assumed certain liabilities of Strobes-R-Us, Inc. through the Company's majority-owned subsidiary, Spartan Upfit Services, Inc. dba Strobes-R-Us ("SRUS"). SRUS is a premier provider of upfit services for government and non-government vehicles. The acquisition enables the Company to increase its product offerings to fleet customers, while further expanding its manufacturing capabilities into the southeastern U.S. market. As part of this acquisition, Spartan acquired Strobes-R-Us' state-of-the-art upfit facility and product showroom in Pompano Beach, Florida.

Purchase Price Allocation
The total purchase price paid for our acquisition of SRUS was $7,032 consisting of $5,200 in cash, plus a $1,832 contingency for performance-based earn-out payments.

This acquisition was accounted for using the acquisition method of accounting, which requires the purchase price to be allocated to the assets purchased and liabilities assumed based upon their estimated fair values at the date of acquisition. The excess of the estimated purchase price over the preliminary estimated fair values of the net tangible and intangible assets acquired of $195 was recorded as goodwill. During 2019, we made certain adjustments to our purchase price allocation related to the deferred tax asset, stock compensation, identified intangible assets, step-up valuation of fixed assets, and a revaluation of contingent consideration, which resulted in a $6,211 decrease in goodwill. The Company has finalized the purchase price allocation within the measurement period, which was to occur no later than one year following the acquisition date.

(Dollar amounts in thousands, except per share data)

The allocation of purchase price to assets acquired and liabilities assumed was as follows:

Accounts receivable	$ 1,165
Inventory	893
Other current assets	3
Property, plant and equipment	1,911
Other Assets	192
Intangible assets	3,100
Goodwill	195
Total assets acquired	7,459
Accounts payable	382
Other current liabilities	45
Total liabilities assumed	427
Total purchase price	$ 7,032

Contingent Consideration
Pursuant to the purchase agreement, the former owners of the SRUS business may receive additional consideration through 2021 in the form of certain performance-based earn-out payments, up to an aggregate maximum of $3,250. The purchase agreement specifies annual payments for each calendar year beginning in 2019 through and including 2021 contingent upon earnings for that calendar year exceeding predetermined thresholds. In accordance with accounting guidance for business combinations, at the date of sale the Company recorded a contingent liability of $1,832 for the value of the future consideration, which is ultimately its best estimate of the likelihood of the payments discounted to their present value.

NOTE 4 – REVENUE

Contract Assets and Liabilities
The tables below disclose changes in contract assets and liabilities as of the periods indicated.

	December 31, 2019	December 31, 2018
Contract Assets		
Contract assets, beginning of year	$ 9,229	$ 5,200
Reclassification of the beginning contract assets to receivables, as the result of rights to consideration becoming unconditional	(9,229)	(5,200)
Contract assets recognized, net of reclassification to receivables	10,898	9,229
Contract assets, end of year	10,898	9,229
Contract Liabilities		
Contract liabilities, beginning of year	871	201
Reclassification of the beginning contract liabilities to revenue, as the result of performance obligations satisfied	(871)	(201)
Cash received in advance and not recognized as revenue	2,640	871
Contract liabilities, end of year	2,640	871

The aggregate amount of the transaction price allocated to remaining performance obligations in existing contracts that are yet to be completed in the Fleet Vehicles and Services ("FVS") and Specialty Chassis and Vehicles ("SCV") segments are $305,796 and $30,777, respectively, with substantially all revenue expected to be recognized within one year as of December 31, 2019.

(Dollar amounts in thousands, except per share data)

In the following tables, revenue is disaggregated by primary geographical market and timing of revenue recognition for the years ended December 31, 2019, 2018 and 2017. The tables also include a reconciliation of the disaggregated revenue with the reportable segments.

	Year Ended December 31, 2019				
	FVS	SCV	Total Reportable Segments	Other	Total
Primary geographical markets					
United States	$ 554,691	$ 185,768	$ 740,459	$ (5,278)	$ 735,181
Other	21,203	158	21,361	-	21,361
Total sales	$ 575,894	$ 185,926	$ 761,820	$ (5,278)	$ 756,542
Timing of revenue recognition					
Products transferred at a point in time	$ 164,437	$ 137,894	$ 302,331	$ (5,278)	$ 297,053
Products and services transferred over time	411,457	48,032	459,489	-	459,489
Total sales	$ 575,894	$ 185,926	$ 761,820	$ (5,278)	$ 756,542

	Year Ended December 31, 2018				
	FVS	SCV	Total Reportable Segments	Other	Total
Primary geographical markets					
United States	$ 367,730	$ 191,814	$ 559,544	$ (10,221)	$ 549,323
Other	19,819	1,385	21,204	-	21,204
Total sales	$ 387,549	$ 193,199	$ 580,748	$ (10,221)	$ 570,527
Timing of revenue recognition					
Products transferred at a point in time	$ 113,576	$ 160,408	$ 273,984	$ (10,221)	$ 263,763
Products and services transferred over time	273,973	32,791	306,764	-	306,764
Total sales	$ 387,549	$ 193,199	$ 580,748	$ (10,221)	$ 570,527

(Dollar amounts in thousands, except per share data)

	Year Ended December 31, 2017				
	FVS	SCV	Total Reportable Segments	Other	Total
Primary geographical markets					
United States	$ 238,267	$ 158,246	$ 396,513	$ (5,657)	$ 390,856
Other	12,828	564	13,392	-	13,392
Total sales	$ 251,095	$ 158,810	$ 409,905	$ (5,657)	$ 404,248
Timing of revenue recognition					
Products transferred at a point in time	$ 251,095	$ 158,810	$ 409,905	$ (5,657)	$ 404,248
Products and services transferred over time	-	-	-	-	-
Total sales	$ 251,095	$ 158,810	$ 409,905	$ (5,657)	$ 404,248

NOTE 5 – INVENTORIES

Inventories are summarized as follows:

	December 31,	
	2019	**2018**
Finished goods	$ 4,764	$ 5,347
Work in process	1,773	2,190
Raw materials and purchased components	57,679	33,418
Reserve for slow-moving inventory	(4,760)	(1,742)
Total Inventory	$ 59,456	$ 39,213

NOTE 6 – RESTRUCTURING CHARGES

We have incurred restructuring charges for a company-wide initiative to streamline operations. Restructuring charges included in our Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017, broken down by segment, are as follows:

	December 31,		
	2019	2018	2017
FVS	$ -	$ -	$ 644
SCV	82	180	109
Other	-	482	45
Total restructuring charges	$ 82	$ 662	$ 798

The following table summarizes the compensation related charges incurred under these initiatives through year ended December 31, 2019. The accrual balance for severance is reflected within Accrued compensation and related taxes on our Consolidated Balance Sheets.

	Severance 2019	Severance 2018
Accrual balance January 1,	$ 199	$ 12
Accrual for severance	-	665
Payments and adjustments made in period	(199)	(478)
Accrual balance December 31,	$ -	$ 199

NOTE 7 – GOODWILL AND INTANGIBLE ASSETS

Goodwill

We test goodwill for impairment at the reporting unit level on an annual basis as of October 1, or whenever an event or change in circumstances occurs that would more likely than not reduce the fair value of a reporting unit below its carrying amount. See “Goodwill and Other Intangible Assets” within "Note 1– *General and Summary of Accounting Policies*" for a description of our accounting policies regarding goodwill and other intangible assets.

As described in "Note 3 – *Acquisition Activities*" at December 31, 2019 and 2018, we had recorded goodwill at our Fleet Vehicles and Services and Specialty Chassis and Vehicles reportable segments. The FVS and SCV segments were determined to be reporting units for goodwill impairment testing. The goodwill recorded in these reporting units was evaluated for impairment as of October 1, 2019 using a discounted cash flow valuation, and it was determined that the estimated fair values of our Fleet Vehicles and Services, and Specialty Chassis and Vehicles reporting units exceeded their carrying values by 337% and 67%, respectively, as of October 1, 2019.

As discussed in "Note 1 – *General and Summary of Accounting Policies*" there are significant judgments inherent in our impairment assessments and discounted cash flow analyses. These discounted cash flow analyses are most sensitive to the WACC assumption.

The change in the carrying amount of goodwill for the year ended December 31, 2019 and 2018 were as follows (in thousands):

	FVS December 31,		SCV December 31,		Total December 31,	
	2019	2018	2019	2018	2019	2018
Goodwill, beginning of year	$ 21,729	$ 15,323	$ 638	$ 638	$ 22,367	$ 15,961
Acquisition and measurement period adjustments	(6,211)	6,406	27,476	-	21,265	6,406
Goodwill, end of year	$ 15,518	$ 21,729	$ 28,114	$ 638	$ 43,632	$ 22,367

Other Intangible Assets

At December 31, 2019, we had other intangible assets associated with our FVS segment, including customer and dealer relationships, non-compete agreements, an acquired product development project and trade names. The non-compete agreement, acquired product development project and certain other intangible assets are being amortized over their expected remaining useful lives based on the pattern of estimated after-tax operating income generated, or on a straight-line basis. Our Utilimaster and Strobes-R-Us trade names have an indefinite life and are not amortized.

At December 31, 2019, we had other intangible assets associated with our SCV segment, including customer relationships, trade names and trademarks, patented technology and non-competition agreements. We amortize the customer relationships utilizing an accelerated approach over an estimated remaining life of 15 years. Patented technology and non-competition agreements are amortized utilizing a straight-line approach over the estimated useful lives of eight years and five years, respectively. The Royal trade names and trademarks are considered to have indefinite lives and are not amortized

(Dollar amounts in thousands, except per share data)

We evaluate the recoverability of our indefinite lived intangible assets, which, as of October 1, 2019, consisted of our Utilimaster, Strobes-R-Us and Royal trade names, by comparing the estimated fair value of the trade names with their carrying values. We estimate the fair value of our trade names based on estimates of future royalty payments that are avoided through our ownership of the trade name, discounted to their present value. In determining the estimated fair value of the trade names, we consider current and projected future levels of sales based on our plans for these trade name branded products, business trends, prospects and market and economic conditions. Because the evaluation of Royal's intangible assets including the trade name was assessed as of September 9, 2019, and this amount was determined to approximate the fair value as of October 1, 2019, updated testing was not performed nor was deemed necessary. The fair value of our Utilimaster and Strobes-R-Us trade names exceeded their carrying values, and therefore do not result in an impairment

The following table provides information regarding our other intangible assets:

	As of December 31, 2019			As of December 31, 2018		
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Customer relationships	$ 37,570	$ 4,943	$ 32,627	$ 6,170	$ 4,029	$ 2,141
Acquired product development project	1,860	1,860	-	1,860	1,860	-
Patented technology	2,200	69	2,131	-	-	-
Non-compete agreements	2,950	617	2,333	400	400	-
Backlog	320	320	-	320	320	-
Trade Names	16,970	-	16,970	2,870	-	2,870
	$ 61,870	$ 7,809	$ 54,061	$ 11,620	$ 6,609	$ 5,011

We recorded $1,200, $320 and $683 of intangible asset amortization expense during 2019, 2018 and 2017.

The estimated remaining amortization associated with finite-lived intangible assets is expected to be expensed as follows:

	Amount
2020	$ 3,151
2021	3,127
2022	3,624
2023	3,511
2024	3,181
Thereafter	20,496
Total	$ 37,090

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized by major classifications as follows:

	December 31,	
	2019	**2018**
Land and improvements	$ 8,692	$ 7,791
Buildings and improvements	38,653	36,087
Plant machinery and equipment	33,348	27,267
Furniture and fixtures	21,416	19,947
Vehicles	1,872	1,558
Construction in process	3,527	1,157
Subtotal	107,508	93,807
Less accumulated depreciation	(67,434)	(61,322)
Total property, plant and equipment, net	$ 40,074	$ 32,485

We recorded depreciation expense of $5,892, $6,393 and $5,994 during 2019, 2018 and 2017. There were no capitalized interest costs in 2019 or 2018.

(Dollar amounts in thousands, except per share data)

NOTE 9 – LEASES

We have operating and finance leases for land, buildings and certain equipment. Our leases have remaining lease terms of one year to 17 years, some of which include options to extend the leases for up to 10 years. Our leases do not contain residual value guarantees. As of December 31, 2019, assets recorded under finance leases were immaterial (See "Note 14 – *Debt*"). Lease expense totaled $4,146, $2,794 and $2,196 for the years ended December 31, 2019, 2018 and 2017.

Operating lease expenses are classified as cost of products sold and operating expenses on the Consolidated Statements of Operations. The components of lease expense were as follows:

	Year ended December 31, 2019
Operating leases	$ 3,928
Short-term leases(1)	218
Total lease expense	$ 4,146

(1) Includes expenses for month-to-month equipment leases, which are classified as short-term as the Company is not reasonably certain to renew the lease term beyond one month.

The weighted average remaining lease term and weighted average discount rate were as follows:

	Year ended December 31, 2019
Weighted average remaining lease term of operating leases (in years)	8.4
Weighted average discount rate of operating leases	3.8%

Supplemental cash flow information related to leases was as follows:

	Year ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flow for operating leases	$ 4,544
Right of use assets obtained in exchange for lease obligations:	
Operating leases	$ 10,493
Finance leases	$ -

Maturities of operating lease liabilities as of December 31, 2019 are as follows:

Years ending December 31:	
2020	$ 5,937
2021	5,054
2022	4,614
2023	4,619
2024	4,390
Thereafter	13,337
Total lease payments	37,951
Less: imputed interest	5,622
Total lease liabilities	$ 32,329

(Dollar amounts in thousands, except per share data)

NOTE 10 – TAXES ON INCOME

Income taxes consist of the following:

	Year Ended December 31,		
	2019	2018	2017
Taxes on income from continuing operations	$ 10,355	$ 3,334	$ 2,382
Income tax benefits from discontinued operations	(15,683)	(1,073)	(2,292)
Total taxes on income	$ (5,328)	$ 2,261	$ 90

Income taxes from continuing operations consist of the following:

	Year Ended December 31,		
	2019	**2018**	**2017**
Current (benefit):			
Federal	$ 9,883	$ 2,819	$ 5,831
State	1,664	758	240
Foreign	128	67	-
Total current	11,675	3,644	6,071
Deferred (benefit):			
Federal	(705)	(316)	(1,333)
State	(615)	6	(2,356)
Total deferred	(1,320)	(310)	(3,689)
Total taxes on income	$ 10,355	$ 3,334	$ 2,382

On December 22, 2017, the Tax Cuts and Jobs Act (the “Tax Act”) was enacted. The Tax Act made broad and complex changes to the U.S. tax code that impacted the Company, most notably a reduction of the U.S. corporate income tax rate from 35 percent to 21 percent for tax years beginning after December 31, 2017. Other changes provided by the 2017 Tax Act included, but are not limited to, the acceleration of depreciation for certain assets placed into service after September 27, 2017, additional limitations on executive compensation, the repeal of the domestic manufacturing deduction and the new foreign derived intangible income deduction.

The SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”), which provided guidance on accounting for the tax effects of the Tax Act. We recognized the income tax effects of the Tax Act in our 2017 financial statements in accordance with SAB 118, in the reporting period in which the Tax Act was signed into law.

In accordance with SAB 118, we recorded a provisional amount of $2,963 of the deferred tax expense in connection with the re-measurement of certain deferred tax assets and liabilities as of December 31, 2017. In 2018 we completed the accounting for the effect of the 2017 Tax Act within the measurement period under the SEC guidance and reflected a net $373 decrease in the 2018 income tax expense.

(Dollar amounts in thousands, except per share data)

Differences between the expected income tax expense derived from applying the federal statutory income tax rate to earnings from continuing operations before taxes on income and the actual tax expense are as follows:

	Year Ended December 31,					
	2019		2018		2017	
	Amount	Percen-tage	Amount	Percen-tage	Amount	Percen-tage
Federal income taxes at the statutory rate	$ 9,901	21.0%	$ 4,505	21.0%	$ 6,949	35.0%
State tax expense, net of federal income tax benefit	577	1.2	486	2.3	416	2.1
Increase (decrease) in income taxes resulting from:						
Deferred income tax re-measurement due to Tax Act	-	-	(373)	(1.7)	2,963	14.9
Other deferred income tax adjustment	(75)	(0.2)	13	-	338	1.7
Non-deductible compensation	511	1.1	-	-	-	-
Other nondeductible expenses	115	0.2	91	0.4	98	0.5
Foreign derived intangible income deduction	(45)	(0.1)	(35)	(0.2)	-	-
Domestic manufacturing deduction	-	-	-	-	(465)	(2.3)
Stock based compensation	(136)	(0.3)	(1,207)	(5.6)	(381)	(1.9)
Worthless stock deduction of dissolved subsidiary	-	-	-	-	(966)	(4.9)
Forfeiture of state net operating loss and credit carry-forwards from dissolution of subsidiary	-	-	-	-	3,039	15.3
Foreign tax expense	128	0.3	67	0.3	-	-
Valuation allowance adjustment	135	0.3	60	0.3	(9,544)	(48.0)
Unrecognized tax benefit adjustment	(61)	(0.1)	332	1.6	206	1.0
Federal research and development tax credit	(591)	(1.3)	(349)	(1.6)	(328)	(1.7)
Foreign tax credit	(38)	-	(67)	(0.3)	-	-
Other	(66)	(0.1)	(189)	(0.9)	57	0.3
Total	$ 10,355	22.0%	$ 3,334	15.6%	$ 2,382	12.0%

(Dollar amounts in thousands, except per share data)

Temporary differences which give rise to deferred income tax assets (liabilities) are as follows:

	December 31,	
	2019	2018
Deferred income tax assets:		
Loss on asset impairment for discontinued operations	$ 12,764	$ -
Warranty reserve	3,782	3,257
Inventory costs and reserves	2,661	1,801
Contract assets	7,217	1,694
Stock-based compensation	1,195	984
Net operating loss carry-forwards, net of federal income tax benefit	449	723
Compensation related accruals	698	589
Credit carry-forwards net of federal income tax benefit	1,027	506
Other	916	611
Total deferred income tax assets	$ 30,709	$ 10,165
Deferred income tax liabilities:		
Depreciation	$ (2,666)	$ (1,479)
Intangible assets	(1,974)	(1,205)
Prepaid expenses	(295)	(222)
Total deferred income tax liabilities	$ (4,935)	$ (2,906)
Net deferred income tax assets	$ 25,774	$ 7,259
Valuation allowance	(254)	(118)
Net deferred tax asset	$ 25,520	$ 7,141

Based upon an assessment of the available positive and negative evidence at December 31, 2019, the net deferred tax asset is more likely than not to be realized based on the consideration of deferred tax liability reversals and future taxable income. The valuation allowance for net deferred income tax assets relates to the impact of the limitation on executive compensation deductibility to Stock based compensation, and a state net operating loss carryforward.

At December 31, 2019 and 2018, we had state deferred income tax assets related to state tax net operating loss carry-forwards, of $569 and $915, which begin expiring in 2020. Also, as of December 31, 2019 and 2018, we had deferred income tax assets related to state tax credit carry-forwards of $1,300 and $640, which begin expiring in 2021. Due to accumulated losses in a certain state jurisdiction, we had recorded valuation allowances against certain deferred income tax assets of $0 and $20 at December 31, 2019 and 2018.

(Dollar amounts in thousands, except per share data)

A reconciliation of the change in the unrecognized tax benefits ("UTB") for the three years ended December 31, 2019, 2018 and 2017 is as follows:

	2019	2018	2017
Balance at January 1,	$ 827	$ 565	$ 345
Increase (decrease) related to prior year tax positions	103	35	168
Increase related to current year tax positions	578	319	118
Expiration of statute	(238)	(92)	(66)
Balance at December 31,	$ 1,270	$ 827	$ 565

As of December 31, 2019, we had an ending UTB balance of $1,270 along with $213 of interest and penalties, for a total liability of $1,483 recorded as a non-current liability. The change in interest and penalties amounted to a decrease of $209 in 2019, and increases of $143 in 2018, and $94 in 2017, which were reflected in Income tax expense within our Consolidated Statements of Operations.

As of December 31, 2019, we are no longer subject to examination by federal taxing authorities for 2015 and earlier years.

We also file tax returns in several states and those jurisdictions remain subject to audit in accordance with relevant state statutes. These audits can involve complex issues that may require an extended period of time to resolve and may cover multiple years. To the extent we prevail in matters for which reserves have been established or are required to pay amounts in excess of our reserves, our effective income tax rate in a given fiscal period could be impacted. However, we do not expect such impacts to be material to our financial statements. An unfavorable tax settlement would require use of our cash and could result in an increase in our effective income tax rate in the period of resolution. A favorable tax settlement could result in a reduction in our effective income tax rate in the period of resolution. We do not expect the total amount of unrecognized tax benefits to significantly increase or decrease over the next twelve months.

NOTE 11 – TRANSACTIONS WITH MAJOR CUSTOMERS

Major customers are defined as those with sales greater than 10 percent of consolidated sales in a given year. We had certain customers whose sales individually represented 10% or more of the Company's total sales as follows:

Year	Number of major customers	Combined percentage of consolidated sales	Segment
2019	2	37.9%	FVS
2018	4	51.7%	FVS and SCV
2017	2	29.3%	SCV

NOTE 12 – COMMITMENTS AND CONTINGENT LIABILITIES

Under the terms of our credit agreement with our banks, we have the ability to issue letters of credit totaling $20,000. We had outstanding letters of credit totaling $525 at December 31, 2019 and 2018 related to our worker's compensation insurance.

At December 31, 2019, we and our subsidiaries were parties, both as plaintiff and defendant, to a number of lawsuits and claims arising out of the normal course of our business. In the opinion of management, our financial position, future operating results or cash flows will not be materially affected by the final outcome of these legal proceedings.

Spartan-Gimaex Joint Venture

In February 2015, Spartan USA and Gimaex Holding, Inc. mutually agreed to begin discussions regarding the dissolution of the Spartan-Gimaex joint venture. In June 2015, Spartan USA and Gimaex Holding, Inc. entered into court proceedings to determine the terms of the dissolution. In February 2017, by agreement of the parties, the court proceeding was dismissed with prejudice and the judge entered an order to this effect as the parties agreed to seek a dissolution plan on their own. In late 2019, Spartan USA initiated additional court proceedings to dissolve and liquidate the joint venture, but no dissolution terms have been determined as of the date of this Form 10-K. Costs associated with the wind-down will be impacted by the final dissolution agreement. In accordance with accounting guidance, the costs we have accrued so far represent the low end of the range of the estimated total charges that we believe we may incur related to the wind-down. While we are unable to determine the final cost of the wind-down with certainty at this time, we may incur additional charges, depending on the final terms of the dissolution, and such charges are not expected to be material to our future operating results. We recorded charges totaling $216 to write down certain inventory items associated with this joint venture to their estimated fair values during the year ended December 31, 2019.

(Dollar amounts in thousands, except per share data)

Warranty Related

We provide limited warranties against assembly/construction defects. These warranties generally provide for the replacement or repair of defective parts or workmanship for a specified period following the date of sale. The end users also may receive limited warranties from suppliers of components that are incorporated into our chassis and vehicles.

Certain warranty and other related claims involve matters of dispute that ultimately are resolved by negotiation, arbitration or litigation. Infrequently, a material warranty issue can arise which is beyond the scope of our historical experience. We provide for any such warranty issues as they become known and are estimable. It is reasonably possible that additional warranty and other related claims could arise from disputes or other matters beyond the scope of our historical experience.

Changes in our warranty liability during the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Balance of accrued warranty at January 1	$ 4,407	$ 4,340
Provisions for current period sales	4,383	2,537
Cash settlements	(3,489)	(3,013)
Changes in liability for pre-existing warranties	295	543
Acquisitions	98	-
Balance of accrued warranty at December 31	$ 5,694	$ 4,407

NOTE 13 – DEFINED CONTRIBUTION PLANS

We sponsor defined contribution retirement plans which cover all associates who meet length of service and minimum age requirements. Our matching contributions vest over 5 years and were $1,654, $1,606 and $676 in 2019, 2018 and 2017. These amounts are expensed as incurred.

NOTE 14 – DEBT

Short-term debt consists of the following:

	December 31, 2019	December 31, 2018
Chassis pool agreements	$ 8,162	$ -
Total short-term debt	$ 8,162	$ -

Chassis Pool Agreements

The Company obtains certain vehicle chassis for its walk-in vans, truck bodies and specialty vehicles directly from the chassis manufacturers under converter pool agreements. Chassis are obtained from the manufacturers based on orders from customers, and in some cases, for unallocated orders. The agreements generally state that the manufacturer will provide a supply of chassis to be maintained at the Company's facilities with the condition that we will store such chassis and will not move, sell, or otherwise dispose of such chassis except under the terms of the agreement. In addition, the manufacturer typically retains the sole authority to authorize commencement of work on the chassis and to make certain other decisions with respect to the chassis including the terms and pricing of sales of the chassis to the manufacturer's dealers. The manufacturer also does not transfer the certificate of origin to the Company nor permit the Company to sell or transfer the chassis to anyone other than the manufacturer (for ultimate resale to a dealer). Although the Company is party to related finance agreements with manufacturers, the Company has not historically settled, nor expects to in the future settle, any related obligations in cash. Instead, the obligation is settled by the manufacturer upon reassignment of the chassis to an accepted dealer, and the dealer is invoiced for the chassis by the manufacturer. Accordingly, as of December 31, 2019, the Company's outstanding chassis converter pool with manufacturers totaled $8,162 and the Company has included this financing agreement on the Company's Consolidated Balance Sheets within *Other receivables – chassis pool agreements and Short-term debt – chassis pool agreements*. Typically, chassis are converted and delivered to customers within 90 days of the receipt of the chassis by the Company. The chassis converter pool is a non-cash arrangement and is offsetting between current assets and current liabilities on the Company's Consolidated Balance Sheets.

(Dollar amounts in thousands, except per share data)

Long-term debt consists of the following:

	December 31, 2019	December 31, 2018
Line of credit revolver [(1)]:	$ 87,400	$ 25,460
Finance lease obligations	496	147
Other	951	-
Total debt	88,847	25,607
Less current portion of long-term debt	(177)	(60)
Total long-term debt	$ 88,670	$ 25,547

(1) On August 8, 2018, we entered into a Credit Agreement (the "Credit Agreement") by and among us and certain of our subsidiaries as borrowers, Wells Fargo Bank, National Association ("Wells Fargo"), as administrative agent, and the lenders party thereto consisting of Wells Fargo, JPMorgan Chase Bank, N.A. and PNC Bank National Association (the "Lenders"). Subsequently, the Credit Agreement was amended on May 14, 2019, September 9, 2019 and September 25, 2019 and certain of our other subsidiaries executed guaranties guarantying the borrowers' obligations under the Credit Agreement.

As a result, at December 31, 2019, under the Credit Agreement, as amended, we may borrow up to $175,000 from the Lenders under a secured revolving credit facility which matures August 8, 2023. We may also request an increase in the facility of up to $50,000 in the aggregate, subject to customary conditions. The credit facility is also available for the issuance of letters of credit of up to $20,000 and swing line loans of up to $30,000, subject to certain limitations and restrictions. This revolving credit facility carries an interest rate of either (i) the highest of prime rate, the federal funds effective rate from time to time plus 0.5%, or the one month adjusted LIBOR plus 1.0%; or (ii) adjusted LIBOR, in each case plus a margin based upon our ratio of debt to earnings from time to time. The applicable borrowing rate including margin was 3.7500% (or one-month LIBOR plus 1.25%) at December 31, 2019. The credit facility is secured by security interests in, and liens on, all assets of the borrowers and guarantors, other than real property and certain other excluded assets.

Under the terms of our Credit Agreement, we have the ability to issue letters of credit totaling $20,000. At December 31, 2019 and 2018, we had outstanding letters of credit totaling $525 related to our worker's compensation insurance.

Under the terms of our Credit Agreement, we are required to maintain certain financial ratios and other financial covenants, which limited our available borrowings (exclusive of outstanding borrowings) under our line of credit to a total of approximately $60,499 and $86,410 at December 31, 2019 and 2018, respectively. The Credit Agreement also prohibits us from incurring additional indebtedness; limits certain acquisitions, investments, advances or loans; limits our ability to pay dividends in certain circumstances; and restricts substantial asset sales, all subject to certain exceptions and baskets. At December 31, 2019 and December 31, 2018, we were in compliance with all covenants in our credit agreement.

Concurrent with the close of the sale of the ERV business and effective January 31, 2020, the Credit Agreement was further amended by a fourth amendment, which released certain of our subsidiaries that were sold as part of the ERV business pursuant to the Asset Purchase Agreement. The substantive business terms of the Credit Agreement remain in place and were not changed by the fourth amendment.

NOTE 15 – STOCK BASED COMPENSATION

We have stock incentive plans covering certain employees and non-employee directors. Shares reserved for stock awards under these plans total 2,856,250. Total shares remaining available for stock incentive grants under these plans totaled 1,412,446 at December 31, 2019. We are currently authorized to grant new stock options, restricted stock, restricted stock units, stock appreciation rights and performance stock units under our Stock Incentive Plan of 2016.

Restricted Stock

We issue restricted stock, at no cash cost, to our directors, officers and key employees. Shares awarded entitle the shareholder to all rights of common stock ownership except that the shares are subject to the risk of forfeiture and may not be sold, transferred, pledged, exchanged or otherwise disposed of during the vesting period, which is generally three to five years. The unearned stock-based compensation related to restricted stock awards, using the market price on the date of grant, is being amortized to compensation expense over the applicable vesting periods. Cash dividends are paid on unvested restricted stock grants and all such dividends vest immediately.

We receive an excess tax benefit or liability during the period the restricted shares vest. The excess tax benefit (liability) is determined by the excess (shortfall) of the market price of the stock on date of vesting over (under) the grant date market price used to amortize the awards to compensation expense. As required, any excess tax benefits or liabilities are reported in the Consolidated Statements of Cash Flows as operating cash flows.

Restricted stock activity for the year ended December 31, 2019, is as follows:

	Total Number of Non-vested Shares (000)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Vesting Life (Years)
Non-vested shares outstanding at December 31, 2018	977	$ 7.97	
Granted	279	9.38	
Vested	(467)	7.50	
Forfeited	(78)	12.13	
Non-vested shares outstanding at December 31, 2019	711	$ 8.58	0.9

The weighted-average grant date fair value of non-vested shares granted was $9.38, $9.96 and $7.65 for the years ended December 31, 2019, 2018 and 2017. During 2019, 2018 and 2017, we recorded compensation expense, net of cancellations, of $3,983, $4,027 and $3,536, related to restricted stock awards and direct stock grants. The total income tax benefit recognized in the Consolidated Statements of Operations related to restricted stock awards was $759, $846 and $1,238 for 2019, 2018 and 2017. For the years ended December 31, 2019, 2018 and 2017, restricted shares vested with a fair market value of $3,507, $4,318 and $1,356. As of December 31, 2019, we had unearned stock-based compensation of $3,413 associated with these restricted stock grants, which will be recognized over a weighted average of 1.1 years.

Performance Stock Units

During the year ended December 31, 2019, we granted 218,148 performance stock units ("PSUs") to certain employees, which are earned over a three-year service period.

After completion of the performance period, the number of performance units earned will be issued as shares of Common Stock. The aggregate number of shares of Common Stock that ultimately may be issued under performance units where the performance period has not been completed can range from 0% to 200% of the target amount. The awards will generally be forfeited if a participant leaves the Company for reasons other than retirement, disability or death

A dividend equivalent is calculated based on the actual number of units earned at the end of the performance period equal to the dividends that would have been payable on the earned units had they been held during the entire performance period as Common Stock. At the end of the performance period, the dividend equivalents are paid in the form of additional shares of Common Stock based on the then-current market value of the Common Stock.

87,260 of the performance units granted in 2019 are earned based on our three-year cumulative GAAP net income, subject to such adjustments as approved by the Company's Human Resources and Compensation Committee in its sole discretion (Net Income PSUs), which is a performance condition. The number of shares that may be earned under the Net Income PSUs can range from 0% to 200% of the target amount. The Net Income PSUs are expensed and recorded in *Additional paid-in capital* on the Consolidated Balance Sheets over the performance period based on the probability that the performance condition will be met. The expense recorded will be adjusted as the estimate of the total number of Net Income PSUs that will ultimately be earned changes. The grant date fair value per share of Net Income PSUs granted was $8.99. The grant date fair value per unit is equal to the closing price of the Company's stock on the date of grant.

130,888 of the performance units granted in 2019 are earned based on achievement of certain total shareholder return results relative to a comparison group of companies ("TSR PSUs"), which is a market condition. The number of shares that may be earned under the TSR PSUs can range from 0% to 200% of the target amount. The TSR PSUs are expensed and recorded in *Additional paid-in capital* on the Consolidated Balance Sheets over the performance period.

The fair value of the TSR PSUs was calculated using the Monte Carlo simulation model which resulted in the grant date fair value for these TSR PSUs of $13.71 per unit.

(Dollar amounts in thousands, except per share data)

The Monte Carlo simulation was computed using the following assumptions:

Three-year risk-free interest rate [1]	2.37%
Expected term (in years)	2.7
Estimated volatility [2]	53.7%

[1] Based on the U.S. government bond benchmark on the grant date.
[2] Represents the historical price volatility of the Company's common stock for the three-year period preceding the grant date.

The total PSU expense and associated tax benefit for all outstanding awards for the year ended December 31, 2019 was $642 and $93, respectively. There was no PSU expense or associated tax benefit in the years ended December 31, 2018 and 2017.

The PSU activity for the year ended December 31, 2019 is as follows:

	Total	Weighted-Average Grant Date Fair Value per Unit
Non-vested as of December 31, 2018	-	$ -
Granted	218,148	11.82
Non-vested as of December 31, 2019	218,148	$ 11.82

As of December 31, 2019, there was $1,936 of remaining unrecognized compensation cost related to non-vested PSUs, which is expected to be recognized over a remaining weighted-average period of 2.0 years.

Restricted Stock Units

During the year ended December 31, 2019, we awarded 182,333 restricted stock units ("RSUs") to certain employees and Board members. These RSUs vest ratably over three years after the date of grant for employees and vest one year after date of grant for Board members, at which time the units will be issued as unrestricted shares of Common Stock. RSUs are expensed and recorded in *Additional paid-in capital* on the Consolidated Balance Sheets over the requisite service period based on the value of the underlying shares on the date of grant. At the time any RSUs vest and are settled through the issuance of Common Stock, the value of the dividends that would have been payable on the shares of Common Stock issued upon settlement of the vested RSUs had such shares been held during the entire vesting period will be paid to the employee or director in cash or, in the discretion of the Human Resources and Compensation Committee, in shares of Common Stock based on the then-current market value of the Common Stock.

The RSU expense and associated tax benefit for all outstanding awards for the year ended December 31, 2019 was $656 and $130, respectively. There was no RSU expense or associated tax benefit in the years ended December 31, 2018 and 2017.

As of December 31, 2019, there was $981 of remaining unrecognized compensation cost related to non-vested RSUs, which is expected to be recognized over a weighted-average period of 1.2 years.

The RSU activity for the year ended December 31, 2019 is as follows:

	Total	Weighted-Average Grant Date Fair Value per Unit
Non-vested as of December 31, 2018	-	$ -
Granted	182,333	8.98
Non-vested as of December 31, 2019	182,333	$ 8.98

Employee Stock Purchase Plan

We instituted an employee stock purchase plan ("ESPP") beginning on October 1, 2011 whereby essentially all employees who meet certain service requirements can purchase our common stock on quarterly offering dates at 90% of the fair market value of the shares on the purchase date. A maximum of 750,000 shares are authorized for purchase until the ESPP termination date of February 24, 2021, or earlier termination of the ESPP. During the years ended December 31, 2019, 2018 and 2017, we received proceeds of $231, $214 and $98 for the purchase of 22,000, 20,000 and 9,000 shares under the ESPP.

NOTE 16 – SHAREHOLDERS EQUITY

On April 28, 2016, our Board of Directors authorized the repurchase of up to one million shares of our common stock in open market transactions.

The following table represents our purchases of our common stock during the years ended December 31, 2019 and 2018 under the share repurchase program.

Year Ended December, 31	Shares purchased (000)		Purchase value	Remaining shares allowable to be purchased
2018	90	$	656	910
2019	101	$	793	809

NOTE 17 – EARNINGS PER SHARE

The table below reconciles basic weighted average common shares outstanding to diluted weighted average shares outstanding for 2019, 2018 and 2017 (in thousands). The stock awards noted as antidilutive were not included in the diluted or basic weighted average common shares outstanding. Although these stock awards were not included in our calculation of basic or diluted earnings per share ("EPS"), they may have a dilutive effect on the EPS calculation in future periods if the price of our common stock increases.

	Year Ended December 31,		
	2019	2018	2017
Basic weighted average common shares outstanding	35,318	35,187	34,949
Plus dilutive effect of Restricted Stock Units and Performance Stock Units	98	-	-
Diluted weighted average common shares outstanding	35,416	35,187	34,949
Antidilutive stock awards:			
Unvested restricted stock awards	-	-	-

NOTE 18 – BUSINESS SEGMENTS

We identify our reportable segments based on our management structure and the financial data utilized by our chief operating decision maker to assess segment performance and allocate resources among our operating units. We have two reportable segments: Fleet Vehicles and Services and Specialty Chassis and Vehicles. The Emergency Response Vehicles segment met the held-for-sale criteria at December 31, 2019. Thus it is no longer considered a reportable segment and is reported as a discontinued operation instead.

We evaluate the performance of our reportable segments based on adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), which is a non-GAAP financial measure. This non-GAAP measure is calculated by excluding items that we believe to be infrequent or not indicative of our continuing operating performance. In the fourth quarter of 2019, in connection with the divestiture of our ERV business, we refined the definition of adjusted EBITDA as income from continuing operations before interest, income taxes, depreciation and amortization, as adjusted to eliminate the impact of restructuring charges, acquisition related expenses and adjustments, non-cash stock-based compensation expenses, and other gains and losses not reflective of our ongoing operations. Adjusted EBITDA for all prior years presented have been recast to conform to the current presentation.

Our FVS segment consists of our operations at our Bristol, Indiana location, and beginning in 2018 certain operations at our Ephrata, Pennsylvania location along with our operations at our upfit centers in Kansas City, Missouri; North Charleston, South Carolina; Pompano Beach, Florida; Montebello, California and Saltillo, Mexico. The segment focuses on designing and manufacturing walk-in vans for parcel delivery, mobile retail, and trades and construction industries, the production of commercial truck bodies, and the distribution of related aftermarket parts and accessories.

Our SCV segment consists of our Charlotte, Michigan operations that engineer and manufacture motor home chassis, defense vehicles and other specialty chassis, and distribute related aftermarket parts and assemblies. In addition, beginning in September 2019 with the acquisition of Royal, the SCV segment includes operations in Carson and Union City, California; Mesa, Arizona; and Dallas and Weatherford, Texas. Royal is a leading California-based designer, manufacturer and installer of service truck bodies and accessories.

(Dollar amounts in thousands, except per share data)

The accounting policies of the segments are the same as those described, or referred to, in "Note 1 – *General and Summary of Accounting Policies*". Assets and related depreciation expense in the column labeled “Eliminations and Other” pertain to capital assets maintained at the corporate level. Eliminations for inter-segment sales are shown in the column labeled “Eliminations and other”. Segment loss from operations in the “Eliminations and other” column contains corporate related expenses not allocable to the operating segments. Interest expense and Taxes on income are not included in the information utilized by the chief operating decision makers to assess segment performance and allocate resources, and accordingly, are excluded from the segment results presented below.

Sales to customers outside the United States were $21,361, $21,204 and $13,392 for the years ended December 31, 2019, 2018 and 2017, or 2.8%, 3.7% and 3.3%, respectively, of sales for those years. All of our long-lived assets are located in the United States.

Sales and other financial information by business segment are as follows:

Year Ended December 31, 2019

	Segment			
	FVS	SCV	Eliminations and Other	Consolidated
Fleet vehicles sales	$ 504,023	$ 5,278	$ (5,278)	$ 504,023
Motor home chassis sales	-	127,130	-	127,130
Other specialty vehicles sales	-	43,067	-	43,067
Aftermarket parts and accessories sales	71,871	10,451	-	82,322
Total sales	$ 575,894	$ 185,926	$ (5,278)	$ 756,542
Depreciation and amortization expense	$ 2,466	$ 2,104	$ 1,503	$ 6,073
Adjusted EBITDA	60,663	20,716	(17,334)	64,045
Segment assets	154,138	137,777	67,897	359,812
Capital expenditures	2,851	2,220	2,525	7,596

Year Ended December 31, 2018

	Segment			
	FVS	SCV	Eliminations and Other	Consolidated
Fleet vehicles sales	$ 297,627	$ 10,221	$ (10,221)	$ 297,627
Motor home chassis sales	-	149,533	-	149,533
Other specialty vehicles sales	-	22,570	-	22,570
Aftermarket parts and accessories sales	89,922	10,875	-	100,797
Total sales	$ 387,549	$ 193,199	$ (10,221)	$ 570,527
Depreciation and amortization expense	$ 2,401	$ 1,495	$ 2,318	$ 6,214
Adjusted EBITDA	26,680	18,620	(9,915)	35,385
Segment assets	117,508	17,335	82,264	217,107
Capital expenditures	1,859	116	2,678	4,653

(Dollar amounts in thousands, except per share data)

Year Ended December 31, 2017

	Segment			
	FVS	SCV	Eliminations and Other	Consolidated
Fleet vehicles sales	$ 207,666	$ 5,657	$ (5,657)	$ 207,666
Motor home chassis sales	-	124,584	-	124,584
Other specialty vehicles sales	-	18,416	-	18,416
Aftermarket parts and accessories sales	43,429	10,153	-	53,582
Total sales	$ 251,095	$ 158,810	$ (5,657)	$ 404,248
Depreciation and amortization expense	$ 3,361	$ 1,314	$ 1,357	$ 6,032
Adjusted EBITDA	26,958	14,058	(9,344)	31,762
Segment assets	60,550	21,445	76,439	158,434
Capital expenditures	562	386	3,028	3,976

The table below presents the reconciliation of our consolidated income from continuing operations before taxes to total segment Adjusted EBITDA. Adjusted EBITDA is not a measurement of our financial performance under GAAP and should not be considered as an alternative to net income. Adjusted EBITDA may have limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. In addition, although we have excluded certain charges in calculating Adjusted EBITDA, we may in the future incur expenses similar to these adjustments, despite our assessment that such expenses are infrequent and/or not indicative of our regular, ongoing operating performance. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or infrequent items.

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Income from continuing operations before income taxes	$ 47,145	$ 21,450	$ 19,853
Net (income) loss attributable to non-controlling interest	(140)	-	1
Interest expense	109	481	156
Depreciation and amortization expense	4,570	3,896	4,675
Restructuring and other related charges	82	176	746
Unallocated corporate expenses	29,613	19,297	15,585
Total segment adjusted EBITDA	$ 81,379	$ 45,300	$ 41,016

NOTE 19 – RELATED PARTY TRANSACTIONS

Angela Freeman, who serves on the Spartan Motors Board of Directors effective August 5, 2019, is the Chief Human Resources Officer at C.H. Robinson. The Company engaged C.H. Robinson for transportation and logistics services through a competitive bid process in December 2018. During the period August 5, 2019 through December 31, 2019, the Company utilized C.H. Robinson for services totaling $6,723.

Richard Dauch, who serves on the Spartan Motors Board of Directors, was the Chief Executive Officer of Accuride, Inc. through January 6, 2019. During the years ended December 31, 2018 and 2017, we made purchases of $799 and $698 from Accuride Distributing, a subsidiary of Accuride, Inc., for parts used in the manufacture of our products. These purchases were made through a competitive bid process. Purchases made in 2019 through January 6, 2019 were not material.

NOTE 20 – SUBSEQUENT EVENT

Effective February 1, 2020, the Company completed the sale of its ERV business pursuant to the terms and conditions set forth in the Asset Purchase Agreement entered into by and among the Company, the buyer and certain parties, and received cash of $55,000, subject to a post-closing adjustment. In connection with the closing of the sale, the Company and the buyer have entered into a transition services agreement, pursuant to which the parties will provide certain transition services for a specified period following the closing.

(Dollar amounts in thousands, except per share data)

NOTE 21 – QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for the years ended December 31, 2019 and 2018 is as follows. As discussed in "Note 2 – *Acquisition Activities*" effective February 1, 2020, we completed the sale of our ERV business. The results of the ERV business have been classified as discontinued operations for all periods presented. Full year amounts may not sum due to rounding.

	2019 Quarter Ended				2018 Quarter Ended			
	Mar 31	June 30	Sept 30	Dec 31	Mar 31	June 30	Sept 30	Dec 31
Sales	$ 172,206	$ 179,673	$ 224,703	$ 179,960	$ 106,325	$ 124,366	$ 165,920	$ 173,916
Gross profit	20,720	20,859	38,029	37,419	14,775	19,407	19,828	19,134
Operating expenses	14,767	14,608	20,915	19,123	12,124	13,812	11,438	13,252
Income from continuing operations	4,835	4,544	13,126	14,285	3,866	2,706	7,128	4,416
(Loss) income from discontinued operations, net of income taxes	(3,298)	(1,255)	(2,711)	(41,952)	328	1,034	(1,885)	(2,581)
Net income (loss) attributable to Spartan Motors, Inc.	1,397	3,504	10,354	(27,821)	4,194	3,740	5,243	1,835
Basic earnings (loss) per share								
Continuing operations	0.13	0.14	0.37	0.40	0.11	0.08	0.20	0.12
Discontinued operations	(0.09)	(0.04)	(0.08)	(1.19)	0.01	0.03	(0.05)	(0.07)
Basic earnings per share	0.04	0.10	0.29	(0.79)	0.12	0.11	0.15	0.05
Diluted earnings (loss) per share								
Continuing operations	0.13	0.14	0.37	0.40	0.11	0.08	0.20	0.12
Discontinued operations	(0.09)	(0.04)	(0.08)	(1.18)	0.01	0.03	(0.05)	(0.07)
Diluted earnings per share	0.04	0.10	0.29	(0.78)	0.12	0.11	0.15	0.05

Item 9. **Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

Item 9A. **Controls and Procedures.**

Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2019. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

As of the end of the period covered by this Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (this "Form 10-K"), we carried out an evaluation, under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act. Based upon that evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this Form 10-K, our disclosure controls and procedures were not effective because of the material weakness in internal control over financial reporting described below.

Management's Report on Internal Control Over Financial Reporting.

Management is responsible for establishing and maintaining adequate "internal control over financial reporting," as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2019 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013). As permitted by Securities and Exchange Commission guidance, management excluded from its assessment internal control over financial reporting for Royal, which was acquired on September 9, 2019, which accounted for 24.5% of consolidated total assets and 2.3% of consolidated sales as of and for the year ended December 31, 2019. Based on its assessment, our management, including our CEO and CFO, has concluded that our internal control over financial reporting was not effective as of December 31, 2019 due to a material weakness in our internal control over financial reporting described below.

Management's assessment of the Company's internal control over financial reporting as of December 31, 2019 determined that certain of the Company's processes for recognizing revenue within its FVS business unit had been ineffectively designed, implemented, and operated. Specifically:

- There was insufficient management review to prevent and detect inaccurate and/or non-existent sales orders, including orders entered without appropriate supporting documentation and orders that were not properly updated to reflect price changes agreed to by customers.
- Our controls were insufficient to accurately verify the existence, completeness, and accuracy of transactions resulting in recognition of revenue, including evidence of contracts with a customer and Company acceptance and approval of those contracts, revenue recognition agreement with contracted terms, and quarterly cut-off errors.

These control deficiencies create a reasonable possibility that a material misstatement to the consolidated financial statements will not be prevented or detected on a timely basis, and therefore, we concluded that the deficiencies represent a material weakness in our internal control over financial reporting, and our internal control over financial reporting was not effective as of December 31, 2019.

Notwithstanding such material weakness in internal control over financial reporting, our management, including our CEO and CFO, has concluded that our consolidated financial statements present fairly, in all material respects, our financial position, results of our operations and our cash flows for the periods presented in this Form 10-K, in conformity with GAAP.

Our independent registered public accounting firm, BDO LLP, who audited the consolidated financial statements included in this annual report, has expressed an adverse report on the operating effectiveness of the Company's internal control over financial reporting. BDO LLP's report appears on page 34 of this annual report on Form 10-K.

Remediation Plan

We have identified and have begun to implement several steps at the FVS business unit, as further described below, to remediate the material weakness described in this Item 9A and to enhance our overall control environment. We are committed to ensuring that our internal controls over financial reporting are designed and operating effectively. Our remediation process includes, but is not limited to:

- Strengthening our contract management and revenue controls with improved documentation standards, technical oversight and training;
- Implementing new or revised transaction level controls to ensure all transactions have supporting documentation and the sales order entry process is monitored;
- Enhancing the automation of processes and controls to allow for the timely completion and enhanced review of the controls and surrounding financial information;
- Implementing and enhancing additional management review controls; and
- Increasing accounting personnel to devote additional time and internal control resources.

We believe that these actions will remediate the material weakness. The weakness will not be considered remediated, however, until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of this material weakness will be completed prior to the end of fiscal 2020.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance.

The information required by this item, with respect to directors, executive officers, audit committee, and audit committee financial experts of the Company and Section 16(a) beneficial ownership reporting compliance is contained under the captions "Spartan Motors' Board of Directors and Executive Officers" and "Delinquent Section 16(a) Reports" in our definitive proxy statement for our annual meeting of shareholders to be held on May 20, 2020, to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2019, and is incorporated herein by reference.

We have adopted a Code of Ethics that applies to our principal executive officer, principal financial officer and principal accounting officer. This Code of Ethics is posted under "Code of Ethics" on our website at www.spartanmotors.com. We have also adopted a Code of Ethics and Compliance applicable to all directors, officers and associates, which is posted under "Code of Conduct" on our website at www.spartanmotors.com. Any waiver from or amendment to a provision of either code will be disclosed on our website.

Item 11. Executive Compensation.

The information required by this item is contained under the captions "Executive Compensation," "Compensation of Directors," "Compensation Committee Report" and "Compensation Committee Interlocks and Insider Participation" in our definitive proxy statement for our annual meeting of shareholders to be held on May 20, 2020, to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2019, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item (other than that set forth below) is contained under the caption "Ownership of Spartan Motors Stock" in our definitive proxy statement for our annual meeting of shareholders to be held on May 20, 2020, to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2019, and is incorporated herein by reference.

The following table provides information about our equity compensation plans regarding the number of securities to be issued under these plans upon the exercise of outstanding options, the weighted-average exercise prices of options outstanding under these plans, and the number of securities available for future issuance as of December 31, 2019.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (3)
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1)	--	N/A	1,356,196
Equity compensation plans not approved by security holders (2)	--	N/A	56,250
Total	--	N/A	1,412,446

(1) Consists of the Spartan Motors, Inc. Stock Incentive Plan of 2016 (the "2016 Plan").

(2) Consists of the Spartan Motors, Inc. Directors' Stock Purchase Plan. This plan provides that non-employee directors of the Company may elect to receive at least 25% and up to 100% of their "director's fees" in the form of the Company's common stock. The term "director's fees" means the amount of income payable to a non-employee director for his or her service as a director of the Company, including payments for attendance at meetings of the Company's Board of Directors or meetings of committees of the board, and any retainer fee paid to such persons as members of the board. A non-employee director who elects to receive Company common stock in lieu of some or all of his or her director's fees will, on or shortly after each "applicable date," receive a number of shares of common stock (rounded down to the nearest whole share) determined by dividing (1) the dollar amount of the director's fees payable to him or her on the applicable date that he or she has elected to receive in common stock by (2) the market value of common stock on the applicable date. The term "applicable date" means any date on which a director's fee is payable to the participant. To date, no shares have been issued under this plan.

(3) Each of the plans reflected in the above table contains customary anti-dilution provisions that are applicable in the event of a stock split or certain other changes in the Company's capitalization. In addition, the 2016 Plan provides that if a stock option is canceled, surrendered, modified, expires or is terminated during the term of the plan but before the exercise of the option, the shares subject to the option will be available for other awards under the plan.

The numbers of shares reflected in column (c) in the table above with respect to the 2016 Plan (1,356,196 shares) represent new shares that may be granted by the Company, and not shares issuable upon the exercise of an existing option, warrant or right.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item is contained under the captions "Transactions with Related Persons" and "Spartan Motors' Board of Directors and Executive Officers" in our definitive proxy statement for our annual meeting of shareholders to be held on May 20, 2020, to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2019, and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information required by this item is contained under the caption "Independent Auditor Fees" in our definitive proxy statement for our annual meeting of shareholders to be held on May 20, 2020, to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2019, and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

Item 15(a)(1). List of Financial Statements.

The following consolidated financial statements of the Company and its subsidiaries, and reports of our registered independent public accounting firm, are filed as a part of this report under Item 8 - Financial Statements and Supplementary Data:

Independent Registered Public Accounting Firm's Report on Consolidated Financial Statements – Years Ended December 31, 2019, 2018 and 2017

Independent Registered Public Accounting Firm's Report on Internal Control Over Financial Reporting – December 31, 2019

Consolidated Balance Sheets – December 31, 2019 and December 31, 2018

Consolidated Statements of Operations – Years Ended December 31, 2019, 2018 and 2017

Consolidated Statements of Shareholders' Equity – Years Ended December 31, 2019, 2018 and 2017

Consolidated Statements of Cash Flows – Years Ended December 31, 2019, 2018 and 2017

Notes to Consolidated Financial Statements

Item 15(a)(2). Financial Statement Schedules. Attached as Appendix A.

The following consolidated financial statement schedule of the Company and its subsidiaries is filed as part of this report:

Schedule II-Valuation and Qualifying Accounts

All other financial statement schedules are not required under the related instructions or are inapplicable and therefore have been omitted.

Item 15(a)(3). List of Exhibits. The following exhibits are filed as a part of this report:

Exhibit Number	Document
3.1	Spartan Motors, Inc. Restated Articles of Incorporation, as amended to date. Previously filed as Exhibit 3.1 to the Company's Form 10-Q Quarterly Report for the period ended June 30, 2017 (Commission File No. 001-33582), and incorporated herein by reference.
3.2	Spartan Motors, Inc. Bylaws, as amended to date.
4.1	Spartan Motors, Inc. Restated Articles of Incorporation. See Exhibit 3.1 above.
4.2	Spartan Motors, Inc. Bylaws. See Exhibit 3.2 above.

Exhibit Number	
4.3	Description of Registrant's Common Stock
4.4	Form of Stock Certificate. Previously filed as an exhibit to the Registration Statement on Form S-18 (Registration No. 2-90021-C) filed on March 19, 1984 and incorporated herein by reference.
4.5	The Registrant has several classes of long-term debt instruments outstanding, none of which represents an authorized amount of debt exceeding 10% of the Company's total consolidated assets, except as furnished under Exhibit 10.10 to this Form 10-K below. The Company agrees to furnish copies of any other agreements defining the rights of holders of other such long-term indebtedness to the Securities and Exchange Commission upon request.
10.1	Spartan Motors, Inc. Stock Incentive Plan of 2016. Previously filed as Appendix A to the Company's definitive proxy statement on Schedule 14A filed with the SEC on April 8, 2016 (Commission File No. 001-33582), and incorporated herein by reference.*
10.2	Spartan Motors, Inc. Stock Incentive Plan of 2007, as amended. Previously filed as Appendix A to the Company's 2007 Proxy Statement filed April 23, 2007 (Commission File No. 000-13611) and incorporated herein by reference.*
10.3	Spartan Motors, Inc. Leadership Team Compensation Plan dated April 15, 2019. Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 16, 2019 and incorporated herein by reference.*
10.4	Spartan Motors, Inc. Directors' Stock Purchase Plan. Previously filed as an exhibit to the Company's Form S-8 Registration Statement (Registration No. 333-98083) filed on August 14, 2002, and incorporated herein by reference.*
10.5	Form of Stock Appreciation Rights Agreement. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 2007 (Commission File No. 001-33582) and incorporated herein by reference.*
10.6	Form of Restricted Stock Agreement. Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2009 (Commission File No. 001-33582), and incorporated herein by reference.*
10.7	Form of Indemnification Agreement. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 2005 (Commission File No. 000-13611), and incorporated herein by reference.*
10.8	Supplemental Executive Retirement Plan. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 2007 (Commission File No. 001-33582), and incorporated herein by reference. *
10.9	Spartan Motors, Inc. Stock Incentive Plan of 2012. Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 15, 2012 (Commission File No. 001-33582), and incorporated herein by reference.*

Exhibit Number	
10.10	Credit Agreement dated August 8, 2018 by and among the Company, Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto. Previously filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2018 (Commission File No. 001-33582), and incorporated herein by reference.
10.11	Employment Offer Letter dated July 22, 2014, from Spartan Motors, Inc. to Daryl M. Adams. Previously filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2014 (Commission File No. 001-33582), and incorporated herein by reference.*
10.12	Employment Offer Letter dated September 15, 2015, from Spartan Motors, Inc. to Frederick J. Sohm. Previously filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2015 (Commission File No. 001-33582), and incorporated herein by reference.*
10.13	Employment Offer Letter dated December 23, 2014 from Spartan Motors, Inc. to Steve Guillaume. Previously filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K for the period ended December 31, 2015 (Commission File No. 001-33582) and incorporated herein by reference.*
10.14	Employment Offer Letter dated May 11, 2015 from Spartan Motors, Inc. to Steve Guillaume. Previously filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K for the period ended December 31, 2015 (Commission File No. 001-33582) and incorporated herein by reference.*
10.15	Employment Offer Letter dated July 14, 2014 from Spartan Motors, Inc. to Thomas C. Schultz. Previously filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K for the period ended December 31, 2016 (Commission File No. 001-33582) and incorporated herein by reference.*
10.16	Spartan Motors Inc. Management Severance Plan dated as of July 26, 2017. Previously filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2018, and incorporated herein by reference.*
10.17	Form of Spartan Motors, Inc. Performance Share Unit Agreement. Previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed April 2016, 2019 and incorporated herein by reference.*
10.18	Form of Spartan Motors, Inc. Restricted Stock Unit Agreement. Previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed April 2016, 2019 and incorporated herein by reference.*
10.19	Employment Offer Letter dated May 31, 2019 from Spartan Motors, Inc. to Todd A. Heavin. Previously filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2019 (Commission File No. 001-33582) and incorporated herein by reference.*
10.20	Unit Purchase Agreement dated as of September 9, 2019, by and among Spartan Motors USA, Inc., Fortress Resources, LLC D/B/A Royal Truck Body, the owners of Fortress Resources, LLC, and Dudley D. DeZonia. Previously filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-33582) and incorporated herein by reference.
10.21	Second Amendment to Credit Agreement, dated September 9, 2019, by and among the Company and its affiliates, Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto. Previously filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-33582) and incorporated herein by reference.
10.22	Third Amendment to Credit Agreement, dated September 25, 2019, by and among the Company and its affiliates, Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto. Previously filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-33582) and incorporated herein by reference.

Exhibit Number	
10.23	Fourth Amendment to Credit Agreement, dated January 31, 2020, by and among the Company and its affiliates, Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto.
10.24	Asset Purchase Agreement dated January 31, 2020, by and among Spartan Motors, Inc., Spartan Motors USA, Inc., Spartan Fire, LLC and REV Group, Inc.
10.25	Employment Offer Letter dated January 21, 2020 from Spartan Motors, Inc. to Jonathan C. Douyard.*
21	Subsidiaries of Registrant
23	Consent of BDO USA, LLP, Independent Registered Public Accounting firm.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
32	Certification pursuant to 18 U.S.C. § 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

*Management contract or compensatory plan or arrangement.

The Company will furnish a copy of any exhibit listed above to any shareholder of the Company without charge upon written request to: Chief Financial Officer, Spartan Motors, Inc., 41280 Bridge Street, Novi, Michigan 48375.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SPARTAN MOTORS, INC.

March 16, 2020 By /s/ Frederick J. Sohm
Frederick J. Sohm
Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

March 16, 2020 By /s/ Daryl M. Adams
Daryl M. Adams
Director, President and Chief Executive Officer
(Principal Executive Officer)

March 16, 2020 By /s/ Frederick J. Sohm
Frederick J. Sohm
Chief Financial Officer
(Principal Financial and Accounting Officer)

March 16, 2020 By /s/ James A. Sharman
James A. Sharman, Director

March 16, 2020 By /s/ Thomas R. Clevinger
Thomas R. Clevinger, Director

March 16, 2020 By /s/ Richard F. Dauch
Richard F. Dauch, Director

March 16, 2020 By /s/ Ronald E. Harbour
Ronald E. Harbour, Director

March 16, 2020 By /s/ Angela K. Freeman
Angela K. Freeman, Director

March 16, 2020 By /s/ Paul A. Mascarenas
Paul A. Mascarenas, Director

March 16, 2020 By /s/ Dominic Romeo
Dominic Romeo, Director

March 16, 2020 By /s/ Andrew M. Rooke
Andrew M. Rooke, Director

APPENDIX A

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
SPARTAN MOTORS, INC. AND SUBSIDIARIES

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Additions Charged to Other Accounts (Acquisition)	Deductions	Balance at End of Period
Year ended December 31, 2019:					
Allowance for doubtful accounts	$ 99	$ 415	$ -	$ (286)	$ 228
Year ended December 31, 2018:					
Allowance for doubtful accounts	$ 98	$ 32	$ -	$ (31)	$ 99
Year ended December 31, 2017:					
Allowance for doubtful accounts	$ 420	$ 78	$ -	$ (400)	$ 98

EXHIBIT 3.2

AMENDED AND RESTATED BYLAWS

OF

SPARTAN MOTORS, INC.

ARTICLE I
OFFICES

The corporation may have offices at such places, both within and without of the State of Michigan, as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II
MEETINGS OF SHAREHOLDERS

Section 1. Times and Places of Meetings. All meetings of the shareholders shall be held, except as otherwise provided by statute, the Restated Articles of Incorporation, or these Bylaws, at such time and place as may be fixed from time to time by the board of directors. Meetings of shareholders may be held within or without the State of Michigan as shall be stated in the notice of the meeting or in a duly executed waiver of notice.

Section 2. Annual Meetings. Annual meetings of the shareholders shall be held each year at such time and on such day as may be designated by the board of directors. Annual meetings shall be held to elect, by a plurality vote, successors to those members of the board of director whose terms expire at the meeting and to transact such other business as may be properly brought before the meeting.

Section 3. Special Meetings. Special meetings of the shareholders may be called by the board of directors, the Chairman, an executive officer whenever directed by the board of directors, or by the Chief Executive Officer. The request shall state the purpose or purposes of the proposed meeting.

Section 4. Notice of Meetings. Written notice of the date, time, place, if any, and purposes of a shareholder meeting shall be given not less than 10 nor more than 60 days before the date of the meeting, either personally, by mail, or, if authorized by the board of directors, by a form of electronic transmission to which the shareholder has consented, to each shareholder of record entitled to vote at the meeting. For the purposes of these Bylaws, “electronic transmission” means any form of communication that does not directly involve the physical transmission of paper, that creates a record that may be retained and retrieved by the recipient, and that may be reproduced in paper form by the recipient through an automated process. If, as authorized by the board of directors, a shareholder or proxy holder may be present and vote at the meeting by remote communication, the means of remote communication allowed shall be specified in the notice of the meeting. Notice of the purposes of the meeting shall include notice of any shareholder proposals that are proper subjects for shareholder action and are intended to be presented by shareholders who have notified the corporation in writing of their intention to present the proposals at the meeting in accordance with these Bylaws.

Section 5. Waiver of Notice. Notice of any meeting need not be given to any shareholder who signs a waiver of notice before or after the meeting. Attendance of a shareholder at a meeting shall constitute a waiver of notice of such meeting, except when the shareholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the holding of the meeting or the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any meeting of the shareholders need be specified in any written waiver of notice unless so required by the Restated Articles of Incorporation or these Bylaws.

Section 6. Shareholder List. The officer or agent having charge of the stock transfer books for shares of the corporation shall make and certify a complete list of the shareholders entitled to vote at a shareholder meeting or any adjournment thereof. The list shall be:

(i) arranged alphabetically within each class and series, with the address of, and the number of shares held by, each shareholder;

(ii) produced at the time and place of the meeting;

(iii) subject to inspection by any shareholder at any time during the meeting; and

(iv) prima facie evidence as to who are the shareholders entitled to examine the list or to vote at the meeting.

If the meeting is held solely by means of remote communication, then the list shall be open to the examination of any shareholder during the entire meeting by posting the list on a reasonably accessible electronic network and the information required to access the list shall be provided with the notice of the meeting. Failure to comply with the requirements of this Section shall not affect the validity of an action taken at the meeting before a shareholder makes a demand to comply with the requirements.

Section 7. Quorum. The holders of a majority of the stock issued and outstanding and entitled to vote at a meeting, present in person or represented by proxy, shall constitute a quorum at all shareholder meetings for the transaction of business, except as otherwise provided by statute or by the Restated Articles of Incorporation. The shareholders present in person or by proxy at the meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum. Whether or not a quorum is present, a meeting may be adjourned by a vote of the shares present.

Section 8. Vote Required. An action, other than the election of directors, to be taken by shareholder vote shall be authorized by a majority of the votes cast by shareholders entitled to vote on the action, unless a greater vote is required by statute or the Articles of Incorporation, in which case the express provision shall govern and control the decision of such question.

Section 9. Voting Rights. Except as otherwise provided by the Restated Articles of Incorporation or resolution or resolutions of the board of directors creating any class or series of stock, each shareholder shall at every shareholder meeting be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by the shareholder.

Section 10. Conduct of Meetings. Meetings of shareholders generally shall follow accepted rules of parliamentary procedure, subject to the following:

(i) The Chairman of the meeting shall have absolute authority over matters of procedure, and there shall be no appeal from the ruling of the Chairman. If, in his or her absolute discretion, the Chairman deems it advisable to dispense with the rules of parliamentary procedure as to any one meeting of shareholders or part thereof, the Chairman shall so state and shall clearly state the rules under which the meeting or appropriate part thereof shall be conducted.

(ii) If disorder should arise which prevents the continuation of the legitimate business of the meeting, the Chairman may quit the chair and announce the adjournment of the meeting. Upon so doing, the meeting is immediately adjourned without the necessity of any vote or further action of the shareholders.

(iii) The Chairman may ask or require that any person who is not a shareholder of record or holding a proxy to leave the meeting.

(iv) The Chairman may introduce nominations, resolutions, or motions submitted by the board of directors for consideration by the shareholders without a motion or a second. Except as the Chairman shall direct, a resolution or motion not submitted by the board of directors shall be considered for vote only if proposed by a shareholder of record or a duly authorized proxy of such a shareholder and seconded by an individual who is a shareholder or a duly authorized proxy other than the individual who proposed the resolution or motion.

Section 11. Inspectors of Election. The board of directors or, if they shall not have so acted, the Chief Executive Officer, may appoint, at or prior to any meeting of shareholders, one or more persons (who may be directors and/or employees of the corporation) to serve as inspectors of election. The corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of shareholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting.

Section 12. Shareholder Proposals. Except as otherwise provided by statute, the Restated Articles of Incorporation, or these Bylaws:

(i) No matter may be presented for shareholder action at an annual or special meeting of shareholders unless such matter is: (a) specified in the notice of the meeting (or any supplement to the notice) given by or at the direction of the board of directors; (b) otherwise presented at the meeting by or at the direction of the board of directors; (c) properly presented for action at the meeting by a shareholder in accordance with the notice provisions set forth in this Section and any other applicable requirements; or (d) a procedural matter presented, or accepted for presentation, by the Chairman in his or her sole discretion.

(ii) For a matter to be properly presented by a shareholder, the shareholder must have given timely notice of the matter in writing to the Secretary of the corporation. To be timely, the notice must be delivered to or mailed to and received at the principal executive offices of the corporation not less than 120 calendar days prior to the date corresponding to the date of the corporation's proxy statement or notice of meeting released to shareholders in connection with the last preceding annual meeting of shareholders in the case of an annual meeting (unless the corporation did not hold an annual meeting within the last year, or if the date of the upcoming annual meeting changed by more than 30 days from the date of the last preceding meeting, then the notice must be delivered or mailed and received not more than 10 days after the earlier of the date of the notice of the meeting or public disclosure of the date of the meeting), and not more than 10 days after the earlier of the date of the notice of the meeting or public disclosure of the date of the meeting in the case of a special meeting. The notice by the shareholder must set forth: (a) a brief description of the matter the shareholder desires to present for shareholder action; (b) the name and record address of the shareholder proposing the matter for shareholder action; (c) the class and number of shares of capital stock of the corporation that are beneficially owned by the shareholder; and (d) any material interest of the shareholder in the matter proposed for shareholder action. For purposes of this Section, "public disclosure" means disclosure in a press release reported by the Dow Jones News Service, Associated Press or other comparable national financial news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Sections 13, 14, or 15 of the Securities Exchange Act of 1934, as amended.

(iii) Except to the extent that a shareholder proposal submitted pursuant to this Section is not made available at the time of mailing, the notice of the purposes of the meeting shall include the name and address of and the number of shares of the voting security held by the proponent of each shareholder proposal.

(iv) Notwithstanding the above, if the shareholder desires to require the corporation to include the shareholder's proposal in the corporation's proxy materials, matters and proposals submitted for inclusion in the corporation's proxy materials shall be governed by the solicitation rules and regulations of the Securities Exchange Act of 1934, as amended, including without limitation Rule 14a-8.

Section 13. Proxies. A shareholder entitled to vote at a shareholder meeting or to express consent or dissent without a meeting may authorize one or more other persons to act for the shareholder by proxy only by one of the following methods:

(i) The execution of a writing authorizing another person or persons to act for the shareholder as proxy. Execution may be accomplished by the shareholder or by an authorized officer, director, employee, or agent of the shareholder by either signing the writing or causing his or her signature to be affixed to the writing by any reasonable means including, but not limited to, facsimile signature; or

(ii) Transmitting or authorizing the transmission of a telegram, cablegram, or other means of electronic transmission to the person who will hold the proxy or to a proxy solicitation firm, proxy support service organization, or similar agent fully authorized by the person who will hold the proxy to receive that transmission. Any telegram, cablegram, or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram, or other electronic transmission was authorized by the shareholder. If a telegram, cablegram, or other electronic transmission is determined to be valid, the inspectors, or, if there are no inspectors, the persons making the determination shall specify the information upon which they relied.

A copy, facsimile telecommunication, or other reliable reproduction of the writing or transmission created pursuant to subsections (i) or (ii) may be substituted or used in lieu of the original writing or transmission for any purpose for which the original writing or transmission could be used, if the copy, facsimile telecommunication, or other reproduction is a complete reproduction of the entire original writing or transmission.

A proxy is not valid after the expiration of three years from its date unless otherwise provided in the proxy. A proxy must be filed with the corporation at or before the meeting. A proxy shall be valid only with respect to the particular meeting, or any adjournment or adjournments thereof, to which it specifically relates.

Section 14. Participation in Meeting by Remote Communication. A shareholder may participate in a shareholder meeting by a conference telephone or by other means of remote communication, if (i) the board of directors authorizes such participation; and (ii) the meeting is conducted in accordance with the current requirements of applicable law, including the Michigan Business Corporation Act. Such participation in a meeting constitutes presence in person at the meeting.

Section 15. Electronic Meeting. Unless otherwise restricted by the Restated Articles of Incorporation or these Bylaws, the board of directors may hold a meeting of shareholders solely by means of remote communication if the requirements of Article II, Section 15 are met.

ARTICLE III
RECORD DATE

Section 1. Fixing of Record Date by Board of Directors.

(i) For the purpose of determining shareholders entitled to notice of and to vote at a shareholder meeting or an adjournment of a meeting, the board of directors shall fix a record date, which shall not precede the date on which the board adopts the resolution fixing the record date. The date shall not be more than 60 nor less than 10 days before the date of the meeting. If a record date is not fixed, the record date for determination of shareholders entitled to notice of or to vote at a shareholder meeting shall be the close of business on the day next preceding the day on which notice is given or, if no notice is given, the day next preceding the day on which the meeting is held. When a determination of shareholders of record entitled to notice of or to vote at a shareholder meeting is made as provided in this Section, the determination applies to any adjournment of the meeting, unless the board of directors fixes a new record date under this Section for the adjourned meeting.

(ii) For the purpose of determining shareholders entitled to express consent to or to dissent from a proposal without a meeting, the board of directors shall fix a record date, which shall not precede the date on which the board adopts the resolution fixing the record date and shall not be more than 10 days after the board resolution. If a record date is not fixed and prior action by the board of directors is required with respect to the corporate action to be taken without a meeting, the record date is the close of business on the day on which the board resolution is adopted. If a record date is not fixed and prior board action is not required, the record date is the first date on which a signed written consent is delivered to the corporation as provided in these Bylaws.

(iii) For the purpose of determining shareholders entitled to receive payment of a share dividend or distribution, or allotment of a right, or for the purpose of any other action, the board of directors shall fix a record date, which shall not precede the date on which the board adopts the resolution fixing the record date. The date shall not be more than 60 days before the payment of the share dividend or distribution, allotment of a right, or other action. If a record date is not fixed, the record date is the close of business on the day on which the board resolution relating to the corporate action is adopted.

Section 2. Adjournments. If a meeting is adjourned, it is not necessary to give notice of the adjourned meeting if (i) the date, time, and place, if any, to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and (ii) at the adjourned meeting only such business is transacted as might have been transacted at the original meeting. A shareholder or proxy holder may be present and vote at the adjourned meeting by means of remote communication if he or she was permitted to be present and vote by that means of remote communication in the original meeting notice. If after the adjournment the board of directors fixes a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given in accordance with Article II, Section 4 above.

Section 3. Registered Shareholders. The corporation shall be entitled to recognize the exclusive rights of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not the corporation shall have express or other notice thereof, except as otherwise provided by the laws of the State of Michigan.

ARTICLE IV
DIRECTORS

Section 1. Number and Term of Directors. The number of directors shall be fixed from time to time by resolution adopted by a majority vote of the board of directors but shall not be less than three. The directors, other than those who may be elected by the holders of any class or series of stock having a preference over Common Stock as to dividends or upon liquidation, shall be divided into three classes, as nearly equal in number as possible, with the term of office of one class expiring each year. Directors need not be residents of the State of Michigan or shareholders of the corporation.

Section 2. Powers. The business of the corporation shall be managed by its board of directors, which may exercise all such powers of the corporation and do all such lawful acts and things as are not, by statute or by the Restated Articles of Incorporation or by these Bylaws, directed or required to be exercised or done by the shareholders.

Section 3. Vacancies. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled as provided in the Restated Articles of Incorporation.

Section 4. Resignation and Renewal. Any director may resign at any time and such resignation shall take effect upon receipt of written notice thereof by the corporation, or at such subsequent time as set forth in the notice of resignation. Any or all of the directors may be removed, but only for cause, as provided in the Restated Articles of Incorporation.

Section 5. Nominations of Director Candidates.

(i) Nominations of candidates for the election of directors of the corporation at any meeting of shareholders called for the election of directors (an A Election Meeting @) may be made by the board of directors or by any shareholder entitled to vote at the Election Meeting.

(ii) Nominations made by the board of directors shall be made at a meeting of the board of directors, or by written consent of directors in lieu of a meeting, not less than 30 days prior to the date of the Election Meeting, and such nominations shall be reflected in the minute books of the corporation as of the date made.

(iii) Any shareholder who intends to make a nomination at the Election Meeting shall deliver, not less than 120 days prior to the date of notice of the Election Meeting in the case of an annual meeting, and not more than seven days following the date of notice of the meeting in the case of a special meeting, a notice to the Secretary of the corporation setting forth: (a) the name, age, business address, and residence address of each nominee proposed in the notice; (b) the principal occupation or employment of each nominee; (c) the number of shares of capital stock of the corporation which are beneficially owned by each nominee; (d) a statement that the nominee is willing to be nominated; and (e) such other information concerning each nominee as would be required under the rules of the Securities and Exchange Commission in a proxy statement soliciting proxies for the election of such nominees.

(iv) If the chairman of the Election Meeting determines that a nomination was not made in accordance with the foregoing procedures, such nomination shall be void.

Section 6. Compensation of Directors. The board of directors, by affirmative vote of a majority of directors in office and irrespective of any personal interest of any of them, may establish reasonable compensation for services to the corporation as a director or officer. Directors may also be reimbursed for their expenses, if any, of attendance at each board of directors or committee meeting. Nothing in this section shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation for that service.

Section 7. Regular Meetings. Regular meetings of the board of directors may be held at the times, dates, and places as determined by the board of directors. A notice to directors is not required for a regular meeting, except that, when the board of directors establishes or changes the schedule of regular meetings, or changes the time, date, or place of a previously scheduled regular meeting, notice of the action shall be given to each director who was absent from the meeting at which the action was taken.

Section 8. Special Meetings. Subject to the provisions of Section 9 of this Article IV, special meetings of the board of directors may be called by the Chairman, President, or directors constituting at least one-third of the directors then in office by giving notice to each director.

Section 9. Notice of Meetings. Except as otherwise provided by these Bylaws, notice of the time, date, and place of each meeting of the board of directors shall be given to each director by either of the following methods:

(i) by mailing a written notice of the meeting to the address that the director designates or, in the absence of designation, to the last known address of the director, at least three days before the date of the meeting; or

(ii) by delivering a written notice of the meeting to the director at least one full business day before the meeting, personally or by a form of electronic transmission to which the director has consented, to the director = s last known office or home.

Section 10. Waiver of Notice. Whenever notice is required to be given under the provisions of the statutes or of the Restated Articles of Incorporation or by these Bylaws, a written waiver signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. The

attendance of a director at a meeting shall constitute a waiver of notice of the meeting, unless, at the beginning of the meeting, the director objects to holding the meeting or transacting business at the meeting and does not vote for or assent to any action taken at the meeting.

Section 11. Purpose Need Not be Stated. Neither the business to be transacted at nor the purpose of any regular or special meeting of the board of directors need be specified in the notice of such meeting unless so required by the Restated Articles of Incorporation or by these Bylaws.

Section 12. Quorum. At all meetings of the board of directors a majority of the directors shall constitute a quorum for the transaction of business, and the acts of a majority of the directors present at any meeting at which there is a quorum shall be acts of the board of directors except as may be otherwise specifically provided by statute or by the Restated Articles of Incorporation. If a quorum shall not be present at any meeting of the board of directors, the directors who are present may adjourn the meeting without notice, other than announcement at the meeting, until a quorum shall be present.

Section 13. Action Without a Meeting. Unless otherwise restricted by the Restated Articles of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the board of directors or of any committee of the board may be taken without a meeting if, before or after the action, all members of the board of directors or of such committee, as the case may be, consent in writing or by electronic transmission and the consent is filed with the minutes or proceedings of the board of directors or committee.

Section 14. Meeting by Telephone or Similar Equipment. The board of directors or any committee designated by the board of directors may participate in a board or other means of remote communication through committee meeting by means of conference telephone or other means of remote communication through which all persons participating in the meeting can communicate with each other, and participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

ARTICLE V
COMMITTEES OF DIRECTORS

Section 1. Committees. The board of directors may from time to time appoint committees, whose membership shall consist of such members of the board of directors as it may deem advisable, to serve at the pleasure of the board of directors. The board of directors may also appoint directors to serve as alternates for members of each committee in the absence or disability of regular members. The board of directors may fill any vacancies in any committee as they occur.

Section 2. Audit Committee. The Audit Committee will perform the function of an audit committee for the corporation and each of its subsidiaries as that function is defined in the Audit Committee Charter adopted by the board of directors from time to time. The Audit Committee shall have the authority, responsibilities, and powers provided in the Audit Committee Charter, any resolutions adopted by the board of directors from time to time, the Marketplace Rules of The Nasdaq Stock Market, Inc., and any applicable laws and regulations.

Section 3. Human Resources and Compensation Committee. The Human Resources and Compensation Committee will perform the function of a human resources and compensation committee for the corporation and each of its subsidiaries as that function is defined in the Human Resources and Compensation Committee Charter adopted by the board of directors from time to time. The Human Resources and Compensation Committee shall have the authority, responsibilities, and powers provided in the Human Resources and Compensation Committee Charter, any resolutions adopted by the board of directors from time to time, the Marketplace Rules of The Nasdaq Stock Market, and any applicable laws and regulations.

Section 4. Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee will perform the function of a corporate governance and nominating committee for the corporation and each of its subsidiaries as that function is defined in the Corporate Governance and Nominating Committee Charter adopted by the board of directors from time to time. The Corporate Governance and Nominating Committee shall have the authority, responsibilities, and powers provided in the Corporate Governance and Nominating Committee Charter, any resolutions adopted by the board of directors from time to time, the Marketplace Rules of The Nasdaq Stock Market, and any applicable laws and regulations.

Section 5. Other Committees. The board of directors may designate such other committees as it may deem appropriate, and such committees shall exercise the authority delegated to them.

Section 6. Committee Meetings. Each committee provided for above shall meet as often as its business may require and may fix a day and time each month or at other intervals for regular meetings, notice of which shall not be required. Whenever the day fixed for a meeting shall fall on a holiday, the meeting shall be held on the business day following or on such other day as the committee may determine. Special meetings of the committees may be called by the chairperson of the committee or any two members other than the chairperson, and notice thereof may be given to the members by telephone, facsimile or letter. A majority of its members shall constitute a quorum for the transaction of the business of any of the committees. A record of the proceedings of each committee shall be kept and presented to the board of directors.

Section 7. General. A committee, to the extent provided in the board resolution creating the committee or these Bylaws, may exercise all of the board's power and authority in the management of the business and affairs of the corporation, except that a committee may not: (i) amend the Restated Articles of Incorporation; (ii) adopt an agreement of merger or consolidation; (iii) recommend to shareholders the sale, lease, or exchange of all or substantially all of the corporation's property and assets; (iv) recommend to the shareholders a dissolution of the corporation or a revocation of a dissolution; (v) amend the Bylaws of the corporation; or (vi) fill vacancies in the board of directors. Unless a resolution of the board of directors expressly so provides, a committee may not declare a distribution or dividend or authorize the issuance of stock. A committee exists, and each member serves, at the pleasure of the board.

ARTICLE VI
OFFICERS

Section 1. Appointment of Officers. The board of directors, at its first meeting after the annual meeting of shareholders, or as soon as practicable after the election of directors in each year, shall appoint a President, Executive Vice President, Secretary, and Treasurer, and may elect from their number a Chairman of the Board or one or more Vice Chairmen. The board of directors also may appoint one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers, and other officers and agents which it deems necessary. The dismissal of an officer, the appointment of an officer to fill the office of one who has been dismissed or has ceased for any reason to be an officer, the appointment of any additional officers, and the change of an officer to a different or additional office, may be made by the board of directors at any later meeting. Any two or more offices may be filled by the same person.

Section 2. Authority of Officers. The Chairman of the Board, President, Executive Vice President, any Senior Vice President and Vice President, Secretary, Treasurer, and any other persons expressly designated as officers by the board of directors shall be the only officers of the corporation. Only the officers of the corporation shall have discretionary authority to determine the fundamental policies of the corporation.

Section 3. Term of Office, Removal, and Vacancies. An officer shall hold office at the pleasure of the board. The board may remove any officer with or without cause. An officer may resign his or her office at any time by written notice to the corporation. The resignation is effective upon receipt by the corporation or at a later date specified in the notice.

Section 4. Chairman of the Board. There may be elected a Chairman of the Board who shall be chosen from among the directors, but who need not be an officer or an executive employee of the corporation. The Chairman of the Board shall preside at all meetings of the shareholders and at all meetings of the board of

directors and shall be an ex officio member of all committees designated by the board, and shall have such other duties and powers as may be imposed or given by the board of directors.

Section 5. President. The President, who shall be a member of the board of directors, shall be the chief operating officer of the corporation and shall have general supervision over the operations of the corporation, subject to the direction of the board of directors and shall have such powers and perform such duties as may be assigned from time to time by the board of directors, subject, however, to his right and the right of the directors to delegate any specific powers to any officer or officers of the corporation. The President shall ensure that all orders and resolutions of the board of directors are carried into effect and may sign, with the Secretary or the Treasurer, certificates of stock of the corporation. At the request of the Chief Executive Officer, or in the case of the Chief Executive Officer = s absence or inability to act, the President shall perform the duties of the Chief Executive Officer, and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Chief Executive Officer.

Section 6. Chief Executive Officer. The Chief Executive Officer, who shall be a member of the board of directors, in addition to his duties as Chairman of the Board or President as the case may be, shall have final authority, subject to the control of the board of directors, over the general policy and business of the corporation and shall have the general control and management of the business and affairs of the corporation. The Chief Executive Officer shall perform other duties as may be prescribed from time to time by the board of directors or these Bylaws.

Section 7. Vice Presidents. The Vice President or Vice Presidents shall perform such duties and have such powers as the Chief Executive Officer or the board of directors may from time to time prescribe. At the request of the President, or in the case of his absence or inability to act, the Vice President or, if more than one Vice President, that one of them designated by the President or the board of directors, shall have all of the powers of, and shall be subject to the restrictions upon, the President. The board of directors may at its discretion designate one or more of the Vice Presidents as Executive Vice Presidents or Senior Vice Presidents. Any Vice President so designated shall have such duties and responsibilities as the board of directors shall prescribe.

Section 8. Secretary. The Secretary shall attend all meetings of the shareholders and of the board of directors and shall preserve in the books of the corporation true minutes of the proceedings of all such meetings. The Secretary shall safely keep in his or her custody the seal of the corporation and shall have authority to affix the seal to all instruments where its use is required or appropriate, and when so affixed may attest the same. The Secretary shall give all notices required or appropriate pursuant to statute, the Restated Articles of Incorporation, the Bylaws, or by resolution. The Secretary may sign, with the President and Treasurer, certificates of stock of the corporation and shall perform such other duties as may be prescribed by the board of directors.

Section 9. Treasurer. The Treasurer shall have custody of, and be responsible for, all corporate funds and securities and shall keep in books belonging to the corporation full and accurate accounts of all receipts and disbursements. The Treasurer shall deposit all moneys, securities, and other valuable effects in the name of and to the credit of the corporation in depositories as may be designated for that purpose by the board of directors. The Treasurer shall disburse the funds of the corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the President and directors at the regular meetings of the board, and whenever requested by them, an account of all transactions as Treasurer and of the financial condition of the corporation. He may sign, with the President and Secretary, certificates of stock of the corporation and shall perform other duties as may be assigned to him by the board of directors.

Section 10. Assistant Secretary and Assistant Treasurer. There may be appointed an Assistant Secretary and Assistant Treasurer who shall, in the absence, disability, or nonfeasance of the Secretary or Treasurer, perform the duties and exercise the powers of such persons respectively.

Section 11. Other Officers. All other officers, as may from time to time be appointed by the board of directors, shall perform such duties and exercise such authority as the board of directors shall prescribe.

ARTICLE VII
INDEMNIFICATION

Section 1. Indemnification Other Than in Actions by or in the Right of the Corporation. Any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and whether formal or informal, other than an action by or in the right of the corporation, by reason of the fact that he or she is or was a director or executive officer of the corporation, or, while serving as such a director or executive officer, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, shall be indemnified by the corporation against expenses, including attorneys' fees, judgments, penalties, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding if the person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interest of the corporation or its shareholders, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create any presumption that the person did not act in good faith nor in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders, or, with respect to any criminal action or proceeding, that he or she had reasonable cause to believe that his conduct was unlawful. Persons who are not directors or executive officers of the corporation may be indemnified in respect of such service to the extent authorized at any time by the board of directors, except as otherwise provided by statute or the Restated Articles of Incorporation.

Section 2. Indemnification in Actions by or in the Right of the Corporation. Any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director or executive officer of the corporation, or, while serving as such a director or executive officer, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, shall be indemnified by the corporation against expenses, including attorneys' fees and amounts paid in settlement actually and reasonably incurred by the person in connection with the defense or settlement of such action, suit, or proceeding if the person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders. No indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been found liable to the corporation unless and only to the extent that the court in which such action, suit, or proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper. Persons who are not directors or executive officers of the corporation may be indemnified in respect of such service to the extent authorized at any time by the board of directors, except as otherwise provided by statute or the Restated Articles of Incorporation.

Section 3. Expenses. To the extent that a director or officer of the corporation or any other person entitled to mandatory indemnification under Section 1 of this Article has been successful on the merits or otherwise in defense of an action, suit, or proceeding referred to in Section 1 or 2 of this Article, or in defense of a claim, issue, or matter in the action, suit, or proceeding, the corporation shall indemnify that person against actual and reasonable expenses (including attorneys' fees), incurred by the person in connection with the action, suit, or proceeding and an action, suit, or proceeding brought to enforce the mandatory indemnification provided in this Section. The corporation may indemnify any other employee, agent or person who may be indemnified under Section 1 or 2 to the extent that person has been successful on the merits or otherwise against actual and reasonable expenses (including attorneys' fees) incurred by the person in connection with the action, suit, or proceeding and an action, suit, or proceeding brought to enforce the mandatory indemnification provided in this Section.

Section 4. Determination, Evaluation, and Authorization of Indemnification.

(i) Except as otherwise provided in Subsection (iv) or unless ordered by a court, the corporation shall make an indemnification under Section 1 or 2 of this Article only upon a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 1 or 2 of this Article and upon an evaluation of the reasonableness of expenses and amounts paid in settlement. This determination and evaluation may be made in any of the following ways:

(1) By a majority vote of a quorum of the board of directors consisting of directors who are not parties or threatened to be made parties to the action, suit, or proceeding.

(2) If a quorum cannot be obtained under Subsection (1) above, by majority vote of a committee duly designated by the board and consisting solely of two or more directors not at the time parties or threatened to be made parties to the action, suit, or proceeding.

(3) By independent legal counsel in a written opinion, which counsel shall be selected in one of the following ways:

(A) By the board or its committee in the manner prescribed in Subsections (1) or (2) above.

(B) If a quorum of the board cannot be obtained under Subsection (1) above and a committee cannot be designated under Subsection (2) above, by the board.

(4) By all independent directors (as that term is defined in the Michigan Business Corporation Act) who are not parties or threatened to be made parties to the action, suit, or proceeding.

(5) By the shareholders, but shares held by directors, officers, employees, or agents who are parties or threatened to be made parties to the action, suit, or proceeding may not be voted.

(ii) In the designation of a committee under Subsection (i)(2) or in the selection of independent legal counsel under Subsection (i)(3)(B), all directors may participate.

(iii) The corporation shall authorize payment of indemnification under this Section in one of the following ways:

(1) By the board in one of the following ways:

(A) If there are two or more directors who are not parties or threatened to be made parties to the action, suit, or proceeding, by a majority vote of all directors who are not parties or threatened to be made parties, a majority of whom shall constitute a quorum for this purpose.

(B) By a majority of the members of a committee of two or more directors who are not parties or threatened to be made parties to the action, suit, or proceeding.

(C) If the corporation has one or more independent directors who are not parties or threatened to be made parties to the action, suit, or proceeding, by a majority vote of all independent directors who are not parties or are threatened to be made parties, a majority of whom shall constitute a quorum for this purpose.

(D) If there are no independent directors and less than two directors who are not parties or threatened to be made parties to the action, suit, or proceedings, by the vote necessary for action by the board in accordance with Section 523 of the Michigan Business Corporation Act, in which authorization all directors may participate.

(2) By the shareholders, but shares held by directors, officers, employees, or agents who are parties or threatened to be made parties to the action, suit, or proceeding may not be voted on the authorization.

(iv) To the extent that the Restated Articles of Incorporation include a provision eliminating or limiting the liability of a director pursuant to Section 209(1)(c) of the Michigan Business Corporation Act, the corporation may indemnify a director for the expenses and liabilities described in this subparagraph without a determination that the director has met the standard of conduct set forth in Section 1 or 2 of this Article, but no indemnification shall be made except to the extent authorized in Section 564c of the Michigan Business Corporation Act if the director received a financial benefit to which he or she was not entitled, intentionally inflicted harm on the corporation or its shareholders, violated Section 551 of the Michigan Business Corporation Act, or intentionally committed a criminal act. In connection with an action or suit by or in the right of the corporation as described in Section 2 of this Article, indemnification under this subparagraph shall be for expenses, including attorneys' fees, actually and reasonably incurred. In connection with an action, suit, or proceeding other than an action, suit, or proceeding by or in the right of the corporation, as described in Section 1 of this Article, indemnification under this subparagraph shall be for expenses, including attorneys' fees, actually and reasonably incurred, and for judgments, penalties, fines, and amounts paid in settlement actually and reasonably incurred.

Section 5. Advances.

(i) The corporation may pay or reimburse the reasonable expenses incurred by a director, officer, employee, or agent who is a party or threatened to be made a party to an action, suit, or proceeding before final disposition of the proceeding if the person furnishes the corporation a written undertaking, executed personally or on the person's behalf, to repay the advance if it is ultimately determined that the person did not meet the applicable standard of conduct, if any, required by statute for the indemnification of a person under the circumstances.

(ii) The undertaking required by subparagraph (i) above must be an unlimited general obligation of the person, but need not be secured and may be accepted without reference to the financial ability of the person to make repayment.

(iii) An evaluation of reasonableness under this Section shall be made in the manner specified in Section 4(i) above, and authorizations shall be made in the manner specified in Section 4(iii) above.

(iv) A provision in the Restated Articles of Incorporation or Bylaws, a resolution of the board or shareholders, or an agreement making indemnification mandatory also shall make the advancement of expenses mandatory unless the provision, resolution, or agreement specifically provides otherwise.

Section 6. Partial Indemnification. If an individual is entitled to indemnification under Section 1 or 2 of this Article VII for a portion of expenses, including attorneys' fees, judgments, penalties, fines, and amounts paid in settlement, but not for the total amount thereof, the corporation may indemnify the individual for the portion of the expenses, judgments, penalties, fines, or amounts paid in settlement for which the individual is entitled to be indemnified.

Section 7. Indemnification Hereunder Not Exclusive. The indemnification and advancement of expenses provided by this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under the Restated Articles of Incorporation, any Bylaw, agreement, vote of shareholders or disinterested directors, or otherwise. The indemnification provided in this Article VII shall continue as to an individual who ceases to be a director or executive officer or serve in any other capacity, and shall inure to the benefit of the heirs, executors, and administrators of such an individual. Notwithstanding the

foregoing, the total amount of actual expenses advanced or indemnified from all sources combined shall not exceed the amount of actual expenses incurred by the individual seeking indemnification or advancement of expenses.

Section 8. Insurance. The corporation may purchase and maintain insurance on behalf of any individual who is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his other status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article VII.

Section 9. Mergers. For the purposes of this Article VII, references to the "corporation" include all constituent corporations absorbed in a consolidation or merger, as well as the resulting or surviving corporation, so that any person who is or was a director, officer, employee, or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, shall stand in the same position under the provisions of this Article VII with respect to the resulting or surviving corporation in the same capacity.

ARTICLE VIII
SUBSIDIARIES

Section 1. Subsidiaries. The board of directors, the Chief Executive Officer, or any executive officer designated by the board of directors may vote the shares of stock owned by the corporation in any subsidiary, whether wholly or partly owned by the corporation, in such manner as they may deem in the best interests of the corporation, including, without limitation, for the election of directors of any subsidiary, for any amendments to the charter or bylaws of any such subsidiary, or for the liquidation, merger, or sale of assets of any such subsidiary. The board of directors, the Chief Executive Officer, or any executive officer designated by the board of directors may cause to be elected to the board of directors of any such subsidiary such persons as they shall designate, any of whom may, but need not be, directors, executive officers, or other employees or agents of the corporation. The board of directors, the Chief Executive Officer, or any executive officer designated by the board of directors may instruct the directors of any such subsidiary as to the manner in which they are to vote upon any issue properly coming before them as the directors of such subsidiary, and such directors shall have no liability to the corporation as the result of any action taken in accordance with such instructions.

Section 2. Subsidiary Officers Not Executive Officers of the Corporation. The officers of any subsidiary, shall not, by virtue of holding such title and position, be deemed to be executive officers of the corporation, nor shall any such officer of a subsidiary, unless such officer shall also be a director or executive officer of the corporation, be entitled to have access to any files, records, or other information relating or pertaining to the corporation or its business and finances, or to attend or receive the minutes of any meetings of the board of directors or any committee of the corporation, except as and to the extent expressly authorized and permitted by the board of directors or the Chief Executive Officer.

ARTICLE IX
CERTIFICATES OF STOCK

Section 1. Form. Every holder of stock in the corporation shall be entitled to have a certificate in the name of the corporation signed by the President or a Vice President and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the corporation, certifying the number of shares owned by each shareholder in the corporation. The certificate may, but need not be, sealed with the seal of the corporation, or a facsimile thereof.

Section 2. Facsimile Signature. Where a certificate is signed (i) by a transfer agent or an assistant transfer agent; or (ii) by a transfer clerk acting on behalf of the corporation and a registrar, the signature of any such President, Vice President, Treasurer, Assistant Treasurer, Secretary, or Assistant Secretary may be a facsimile. In case any officer, transfer agent, or registrar who has signed, or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Section 3. Issuance of Shares Without Certificates. The corporation may issue some or all of the shares of any or all of its classes or series without certificates. Within a reasonable time after issuance or transfer of shares without certificates, the corporation shall send the shareholder a written statement confirming the issuance of shares without certificates. Such written statements shall include: (i) the name of the corporation and that it is formed under the laws of the State of Michigan; (ii) the name of the person to whom the shares are issued; (iii) the number and class of shares and the designation of the series, if any, which the certificate represents; (iv) that the holder of the shares is entitled to have a certificate upon written request made to the Secretary of the corporation, and (v) any other information required by law to appear on a stock certificate.

Section 4. Lost Certificates. The officers may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance of the certificate, require the owner of such lost or destroyed certificate or certificates, or the person = s legal representative, to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost or destroyed.

Section 5. Transfers of Stock. Transfers of stock shall be made only on the books of the corporation by the holder of the shares in person, or by his duly authorized attorney or legal representative, and upon surrender and cancellation of certificates for a like number of shares.

ARTICLE X
GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the corporation, subject to the provisions of the Restated Articles of Incorporation, if any, may be declared by the board of directors at any regular or special meeting pursuant to law in such amounts as, in its opinion, the condition of the affairs of the corporation shall render advisable. Dividends may be paid in cash, in property, or in shares of capital stock, subject to the provisions of the Restated Articles of Incorporation.

Section 2. Reserves. Before payment of any dividends, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purposes as the board shall deem conducive to the interests of the corporation. The directors may modify or abolish any such reserve in the manner in which it was created.

Section 3. Execution of Contracts. The board of directors may authorize any officer or officers, agent or agents, in the name and on behalf of the corporation, to enter into any contract or execute and deliver any instrument, and such authority may be general or confined to specific instances. No officer or agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it pecuniarily liable for any purpose or to any amount.

Section 4. Loans. No loans shall be contracted on behalf of the corporation and no negotiable papers shall be issued in its name unless authorized by resolution of the board of directors, except that the President of the corporation is authorized to contract loans or issue negotiable paper on behalf of the corporation and in its name to the extent of $10,000. When authorized by the board of directors, any authorized officer or agent of the corporation may affect loans and advances

at any time for the corporation from any bank, trust company, other institution, or from any firm, corporation, or individual, and for such loans and advances may make, execute, and deliver promissory notes, bonds, or other certificates or evidences of indebtedness of the corporation and may pledge, hypothecate, or transfer any securities or other property of the corporation as security for any such loans or advances. Such authority may be general or confined to specific instances.

Section 5. Checks. All checks, drafts, and other demands for money and notes of the corporation shall be signed on behalf of the corporation, by such officer or officers or such other person or persons as the board of directors may from time to time designate.

Section 6. Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such bank, trust company, or other depositories as the board of directors may select or may be selected by any officer or officers, or agent or agents of the corporation to whom such power may from time to time be delegated by the board. For the purpose of a deposit, the President, any Vice President, the Treasurer, the Secretary, or any other officer or agent or employee of the corporation to whom such power may be delegated by the board may endorse, assign, and deliver checks, drafts, and other demands for the payment of monies which are payable to the order of the corporation.

Section 7. Books. There shall be kept at the office of the corporation in the State of Michigan correct books of the business and transactions of the corporation, a copy of these Bylaws, and the stock book of the corporation, which shall contain the names, alphabetically arranged, of all persons who are shareholders of the corporation, showing their respective places of residence, the number of shares held by them respectively, the time when they became the owners of the shares, and the amount paid for the shares.

Section 8. Fiscal Year. The fiscal year of the corporation shall be determined by a resolution of the board of directors.

Section 9. Seal. The corporate seal shall have inscribed thereon the name of the corporation, and the words “Corporate Seal, Michigan.” The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Section 10. Forum Selection. Unless the corporation consents in writing to the selection of an alternative forum, the courts of the State of Michigan located in Eaton County, Michigan, and the United States District Court for the Western District of Michigan shall be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the corporation, (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, or other employee of the corporation to the corporation or the corporation’s shareholders, (c) any action asserting a claim arising pursuant to any provision of the Michigan Business Corporation Act, as may be amended from time to time, or (d) any action asserting a claim governed by the internal affairs doctrine.

ARTICLE XI
AMENDMENTS

Subject to any provisions of the Restated Articles of Incorporation, these Bylaws may be altered, amended, changed, or repealed at any regular or special meeting of the board of directors by a majority vote of directors. Subject to any provisions of the Restated Articles of Incorporation, these Bylaws also may be altered, amended, changed, or repealed at any regular or special meeting of shareholders by a majority vote of the shares present or represented by proxy, unless a greater vote is required by law or the Restated Articles of Incorporation.

EXHIBIT 4.3

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following is a brief description of the common stock of Spartan Motors, Inc. (the "Company"). This summary does not purport to be complete in all respects and is subject to and qualified in its entirety by reference to the Company's Restated Articles of Incorporation and Amended and Restated Bylaws, each of which are filed as exhibits to the Annual Report on Form 10-K of which this Exhibit 4 is a part.

Authorized Capital Stock

The Company's authorized capital stock consists of 80,000,000 shares of common stock and 2,000,000 shares of preferred stock. As of December 31, 2019, there were 35,343,290 shares of common stock outstanding and no shares of preferred stock outstanding.

Dividend and Liquidation Rights

Subject to the prior rights of the holders of shares of preferred stock that may be issued and outstanding, if any, the holders of common stock are entitled to receive:

- dividends when, as, and if declared by the Company's Board of Directors out of funds legally available for the payment of dividends; and
- in the event of dissolution of the Company, to share ratably in all assets remaining after payment of liabilities and satisfaction of the liquidation preferences, if any, of then outstanding shares of preferred stock, as provided in the Restated Articles of Incorporation.

Voting Rights

Each holder of common stock is entitled to one vote for each share held of record on all matters presented to a vote at a shareholders meeting, including the election of directors. Holders of common stock have no cumulative voting rights.

The Company's Restated Articles of Incorporation provide that the Company's Board of Directors be divided into three classes of nearly equal size, with the classes to hold office for staggered terms of three years each.

Under Michigan law and the Company's Amended and Restated Bylaws, directors are elected by a plurality of the shares voted at the meeting to elect directors. This means that the nominees who receive the most votes will be elected to the open director positions. However, pursuant to the Company's Corporate Governance Principles, in an uncontested election of directors (*i.e.*, where the number of persons nominated for election is equal to the number of directors to be elected), any nominee for director who receives a greater number of votes "withheld" for his or her election than votes "for" such election is required to promptly tender his or her offer of resignation to the Chairman of the Company's Board of Directors. The Nominating and Corporate Governance Committee of the Board of Directors is then required to promptly consider the resignation offer and recommend to the full Board of Directors whether to accept or reject it. The Board of Directors is then required to make a final decision not later than 90 days following the date of the shareholder meeting at which the election occurred.

Listing

The Company's common stock is currently traded on the Nasdaq Global Select Market under the symbol "SPAR."

Applicable Anti-Takeover Provisions

The Company's Restated Articles of Incorporation and Amended and Restated Bylaws contain provisions that could have an anti-takeover effect. Some of the provisions also may make it difficult for shareholders to replace incumbent directors with new directors who may be willing to entertain changes that shareholders may believe will lead to improvements in the combined company's business.

Other

All of the outstanding shares of the Company's common stock are fully paid and non-assessable. Holders of common stock have no preemptive rights to purchase or subscribe for any additional shares of common stock or other securities, and there are no conversion rights or redemption or sinking fund provisions with respect to the Company's common stock.

The transfer agent for the Company's common stock is American Stock Transfer & Trust Co., 6201 15th Avenue, Brooklyn, New York 11219.

EXHIBIT 10.23

FOURTH AMENDMENT TO CREDIT AGREEMENT

This FOURTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is dated as of January 31, 2020, and effective in accordance with Section 4 below, by and among SPARTAN MOTORS, INC. (the "Company"), SPARTAN MOTORS GLOBAL, INC., UTILIMASTER SERVICES, LLC, SPARTAN MOTORS USA, INC. and FORTRESS RESOURCES, LLC (collectively, with the Company, the "Borrowers"), SMEAL HOLDING, LLC, SMEAL SFA, LLC, and SMEAL LTC, LLC (each in their capacity as a Borrower under the Existing Credit Agreement and to acknowledge being released from its obligations under the Credit Agreement and other Loan Documents as of and after the Amendment Effective Date (as defined below) pursuant to Section 4, the "Released Borrowers"), the Guarantors (as defined in the Credit Agreement referred to below) party hereto, the Lenders referred to below and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as administrative agent for the Lenders ("Administrative Agent").

STATEMENT OF PURPOSE:

WHEREAS, the Borrowers, the Released Borrowers, certain financial institutions party thereto (the "Lenders") and the Administrative Agent have entered into that certain Credit Agreement dated as of August 8, 2018 (as amended, restated, supplemented or otherwise modified from time to time prior to the date hereof, the "Existing Credit Agreement", and as amended by this Amendment, the "Credit Agreement");

WHEREAS, the Borrowers have requested, and subject to the terms and conditions set forth herein, the Administrative Agent and the Lenders party hereto have agreed, to release the Released Borrowers from their obligations under the Credit Agreement and other Loan Documents and amend the Existing Credit Agreement as more specifically set forth herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. Capitalized Terms. All capitalized undefined terms used in this Amendment (including, without limitation, in the introductory paragraph and the statement of purpose hereto) shall have the meanings assigned thereto in the Credit Agreement (as amended by this Amendment).

Section 2. Amendment to Existing Credit Agreement. Effective as of the Amendment Effective Date and subject to and in accordance with the terms and conditions set forth herein, the parties hereto agree that the Existing Credit Agreement is amended as follows:

(a) Section 5.10 (Additional Subsidiaries) of the Existing Credit Agreement is amended to insert "or, with the written consent of each Lender, a Borrower," immediately after "(i) become a Guarantor" in clause (a) of such Section.

(b) Section 6.09 (Disposition of Assets; Etc.) of the Existing Credit Agreement is amended to (i) add a new clause (i) to such Section to read as set forth below, (ii) re-letter the existing clause (i) to clause (j) and delete the reference in such Section to "clause (i)" and insert "clause (j)" in lieu thereof:

"(i) the disposition by the Company and Spartan Motors USA, Inc. of (A) their businesses designing, engineering, manufacturing, marketing and selling fire truck apparatus, fire truck cab-chassis and related aftermarket parts (including all of the issued and outstanding Equity Interests of Smeal Holding, LLC, a Michigan limited liability company, Smeal SFA, LLC, a Michigan limited liability company, Smeal LTC, LLC, a Michigan limited liability company, and Detroit Truck Manufacturing, LLC, a Michigan limited liability company) and (B) the "Spartan Motors" name and all derivations of such name, all pursuant to that certain Asset Purchase Agreement dated as of January 31, 2020 between the Company and Spartan Motors USA, Inc., as sellers, Spartan Fire, LLC, as buyer, and REV Group, Inc. that is in form and substance reasonably satisfactory to the Administrative Agent; and"

(c) Section 8.09 (Collateral and Guaranty Matters) of the Existing Credit Agreement is amended to (i) insert "any Borrower (other than the Company) or" immediately after "to release" in clause (a)(iii) of such Section, and (ii) to amend and restate the last paragraph of clause (a) in such Section to read as follows:

"Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Borrower (other than the Company) or any Guarantor from its obligations under this Agreement or the Loan Party Guaranty, as applicable, pursuant to this Section 8.09. In each case as specified in this Section 8.09, the Administrative Agent will, at the Borrowers' expense, execute and deliver to the applicable Loan Party such documents as such Loan Party may reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted under the Collateral Documents or to subordinate its interest in such item, or to release such Borrower and/or Guarantor from its obligations under this Agreement or the Loan Party Guaranty, as applicable, in each case in accordance with the terms of the Loan Documents and this Section 8.09. In the case of any such sale, transfer or disposal of any property constituting Collateral in a transaction constituting an Asset Disposition permitted pursuant to Section 6.09 to a Person other than a Loan Party, the Liens created by any of the Collateral Documents on such property shall be automatically released without need for further action by any person."

Section 3. Release of Obligations and Liens of Released Borrowers. The Lenders and the Administrative Agent agree, on the Amendment Effective Date and after giving effect to this Amendment:

(a) Each Released Borrower is hereby released and discharged from its obligations as a "Borrower" under the Existing Credit Agreement and each other Loan Document, and shall no longer be a "Borrower" or a "Loan Party" under the Credit Agreement or any other Loan Document; and

(b) all Liens, encumbrances, pledges and security interests granted by a Released Borrower in such Person's assets shall be released and terminated, including any security interests granted by a Released Borrower pursuant to the Existing Credit Agreement or the Loan Documents, and the Administrative Agent hereby reassigns and retransfers to each applicable Released Borrower all rights, interest and title of the Administrative Agent in and to the assets subject to the Loan Documents.

The Lenders and the Administrative Agent agree that the Administrative Agent, at the request and expense of the Company, shall execute and deliver without recourse, representation or warranty all releases or other documents as are reasonably necessary or appropriate for the release of the Liens created on the Released Borrowers' assets under the Loan Documents and deliver such other release documents and take such actions as are necessary or reasonably requested by the Company to evidence the termination and release of the Liens and security interests securing the Released Borrowers' obligations under the Existing Credit Agreement and the Loan Documents.

Section 4. Conditions to Effectiveness. This Amendment shall be deemed to be effective upon the Administrative Agent's receipt of this Amendment duly executed by each of the Borrowers, the Released Borrowers, the Guarantors, the Administrative Agent, and the Required Lenders (such date, the "Amendment Effective Date").

Section 5. Representations and Warranties. By its execution hereof, each Borrower and, with respect to clause (b) below, each Released Borrower, hereby represents and warrants to the Administrative Agent and the Lenders that, as of the date hereof after giving effect to this Amendment:

(a) each of the representations and warranties made by the Borrowers in or pursuant to the Loan Documents is true and correct in all material respects (except to the extent that such representation and warranty is subject to a materiality or Material Adverse Effect qualifier, in which case it shall be true and correct in all respects), in each case, on and as of the date hereof as if made on and as of the date hereof, except to the extent that such representations and warranties relate to an earlier date, in which case such representations and warranties are true and correct in all material respects as of such earlier date;

(b) it has the right and power and is duly authorized and empowered to enter into, execute and deliver this Amendment and to perform and observe the provisions of this Amendment;

(c) this Amendment has been duly authorized and approved by such Borrower's board of directors or other governing body, as applicable, and constitutes a legal, valid and binding obligation of such Borrower, enforceable against such Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law; and

(d) the execution, delivery and performance of this Amendment do not conflict with, result in a breach in any of the provisions of, constitute a default under, or result in the creation of a Lien upon any assets or property of any of the Borrowers, or any of their respective Subsidiaries, under the provisions of, such Borrower's or such Subsidiary's organizational documents or any material agreement to which such Borrower or Subsidiary is a party.

Section 6. Effect of this Amendment. On and after the Amendment Effective Date, references in the Credit Agreement to "this Agreement" (and indirect references such as "hereunder", "hereby", "herein", and "hereof") and in any Loan Document to the "Credit Agreement" shall be deemed to be references to the Credit Agreement as modified hereby. Except as expressly provided herein, the Credit Agreement and the other Loan Documents shall remain unmodified and in full force and effect. Except as expressly set forth herein, this Amendment shall not be deemed (a) to be a waiver of, or consent to, a modification or amendment of, any other term or condition of the Credit Agreement or any other Loan Document, (b) to prejudice any other right or rights which the Administrative Agent or the Lenders may now have or may have in the future under or in connection with the Credit Agreement or the other Loan Documents or any of the instruments or agreements referred to therein, as the same may be amended, restated, supplemented or otherwise modified from time to time, (c) to be a commitment or any other undertaking or expression of any willingness to engage in any further discussion with the Borrowers or any other Person with respect to any waiver, amendment, modification or any other change to the Credit Agreement or the Loan Documents or any rights or remedies arising in favor of the Lenders or the Administrative Agent, or any of them, under or with respect to any such documents or (d) to be a waiver of, or consent to or a modification or amendment of, any other term or condition of any other agreement by and among the Loan Parties, on the one hand, and the Administrative Agent or any other Lender, on the other hand.

Section 7. Costs and Expenses. The Borrowers hereby reconfirm their obligations pursuant to Section 9.03 of the Credit Agreement to pay and reimburse the Administrative Agent and its Affiliates in accordance with the terms thereof.

Section 8. Acknowledgments and Reaffirmations. Each Loan Party (a) consents to this Amendment and agrees that the transactions contemplated by this Amendment shall not limit or diminish the obligations of such Person under, or release such Person from any obligations under, any of the Loan Documents to which it is a party, (b) confirms and reaffirms its obligations under each of the Loan Documents to which it is a party and (c) agrees that each of the Loan Documents to which it is a party remains in full force and effect and is hereby ratified and confirmed.

Section 9. Governing Law. This Amendment shall be governed by, and construed in accordance with, the law of the State of New York.

Section 10. Counterparts. This Amendment may be executed in any number of counterparts, and by different parties hereto in separate counterparts and by facsimile signature, each of which counterparts when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

Section 11. Electronic Transmission. Delivery of this Amendment by facsimile or pdf shall be effective as delivery of a manually executed counterpart hereof; provided that, upon the request of any party hereto, such facsimile or pdf shall be promptly followed by the original thereof.

Section 12. Entire Agreement. This Amendment is the entire agreement, and supercedes any prior agreements and contemporaneous oral agreements, of the parties concerning its subject matter. This Amendment is a Loan Document and is subject to the terms and conditions of the Credit Agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date and year first above written.

BORROWERS:

SPARTAN MOTORS, INC.
SPARTAN MOTORS GLOBAL, INC.
UTILIMASTER SERVICES, LLC
SPARTAN MOTORS USA, INC.
FORTRESS RESOURCES, LLC

By: /s/ Frederick J. Sohm
Name: Frederick J. Sohm
Title: Treasurer

GUARANTORS:

SPARTAN UPFIT SERVICES, INC.
SPARTAN MOTORS GTB, LLC

By: /s/ Frederick J. Sohm
Name: Frederick J. Sohm
Title: Treasurer

RELEASED BORROWERS:

SMEAL SFA, LLC
SMEAL LTC, LLC
SMEAL HOLDING, LLC

By: /s/ Frederick J. Sohm
Name: Frederick J. Sohm
Title: Treasurer

ADMINISTRATIVE AGENT AND LENDERS:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, a Swingline Lender, an Issuing Bank and Lender

By: /s/ Dustin Sentz
Name: Dustin Sentz
Title: Vice President

JPMORGAN CHASE BANK, N.A., AS LENDER

By: /s/ Michael Hall
Name: Michael Hall
Title: Authorized Oficer

PNC BANK, NATIONAL ASSOCIATION, as Lender

By: /s/ Scott Neiderheide
Name: Scott Neiderheide
Title: Vice President

EXHIBIT 10.24

ASSET PURCHASE AGREEMENT

by and between

SPARTAN FIRE, LLC ("Buyer"),

REV GROUP, INC. ("Parent")

and

SPARTAN MOTORS, INC. ("SMI")

and **SPARTAN MOTORS USA, INC.** (the "Company")

dated

January 31, 2020

Page

SCHEDULES

ASSET PURCHASE AGREEMENT

This asset PURCHASE AGREEMENT is entered into as of January 31, 2020, by and among **Spartan Fire, LLC**, a Nevada limited liability company ("Buyer"), **REV Group, Inc.**, a Delaware corporation ("Parent"), **Spartan Motors, Inc.,** a Michigan corporation ("SMI"), and **Spartan Motors USA, Inc.**, a South Dakota corporation (the "Company").

Background

A. The Company owns and operates the ER Business (as defined below). SMI owns 100% of the outstanding capital stock of the Company and owns certain assets used by SMI in its operation of the ER Business.

B. Buyer wishes to purchase and assume from SMI and the Company, and SMI and the Company wish to sell and transfer to Buyer, substantially all of the assets and liabilities comprising the ER Business, upon and subject to the terms and conditions set forth in this Agreement. Parent owns all of the issued and outstanding membership interests of Buyer.

Agreement

Now, therefore, in consideration of the mutual representations, warranties, covenants and agreements set forth in this Agreement, the parties agree as follows:

Article 1
Definitions

When used in this Agreement, the following terms in all of their singular or plural tenses, cases and correlative forms shall have the meanings assigned to them in this Article 1, or elsewhere in this Agreement as indicated in this Article 1:

"Accounting Principles" means accounting methods, policies, principles, practices, and procedures as described in Schedule 1-C.

"Accounts Receivable" is defined in Section 2.1.1.

"Action" means any claim, action, cause of action, demand, lawsuit, arbitration, inquiry, audit, notice of violation, proceeding, litigation, citation, summons, subpoena, or investigation of any nature, civil, criminal, administrative, regulatory, or otherwise, whether at law or in equity.

An "Affiliate" of a specified Person means any other Person which, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person. For purposes of this definition, "control" of any Person means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting capital stock, by contract, or otherwise.

"Affiliated Group" means an affiliated group as defined in Section 1504 of the Code (or any similar combined, consolidated, or unitary group defined under state, local, or foreign income tax law).

"Allocation Schedule" is defined in Section 7.3.

"Agreement" means the Asset Purchase Agreement, as may be amended from time to time upon the mutual written agreement of the parties hereto.

"Assets" means all assets sold by Sellers pursuant to Section 2.1 and Section 2.2.

"Assigned Contracts" is defined in Section 2.2.2.

"Assignment and Assumption Agreement" is defined in Section 5.1(b).

"Assignment of Membership Interest" is defined in Section 5.1(d).

"Assumed Liabilities" is defined in Section 2.4.

"Base Purchase Price" is defined in Section 2.6.

"Bill of Sale" is defined in Section 5.1(a).

"Books and Records" is defined in Section 2.1.10.

"Brandon Parcel" is defined in Section 2.1.12.

"Business Day" means any day other than a Saturday, Sunday or a day on which banks in the State of Michigan are authorized or obligated by law to close.

"Buyer" is defined in the preamble of this Agreement.

"Buyer Indemnitees" is defined in Section 8.1.

"Buyer Plans" is defined in Section 7.5.2.

"Cap" is defined in Section 8.2(c).

"Cash" means cash on hand and in bank accounts, including all cash, commercial paper, certificates of deposit and other bank deposits, treasury bills, short term investments, and all other cash equivalents ***plus*** checks presented for deposit but not yet credited to deposit accounts as of such time; provided, however, that Cash shall be reduced by the amount of all outstanding checks on draft that are issued or outstanding at such time.

"Charlotte Parcel" is defined in Section 2.2.1.

"Charlotte Liabilities" is defined in Section 2.5.3.

"Charlotte Retained Employee" is defined in Section 7.4.4.

"Claims" means any claims, debts, losses, expenses, proceedings, covenants, liabilities, suits, judgments, damages, actions and causes of action, obligations, accounts, and liabilities of any kind or character whatsoever, known or unknown, suspected or unsuspected, in contract or in tort, direct or indirect, at Law or in equity.

"Closing" and "Closing Date" are defined in Article 6.

"Closing Working Capital" means the Working Capital as of the Effective Time.

"Code" means the United States Internal Revenue Code of 1986, as amended, and the regulations and guidance thereunder.

"Company" is defined in the preamble of this Agreement.

"Company Party" means each of the Company and each Subsidiary.

"Company Intellectual Property" means (a) the Intellectual Property owned by either Seller that is primarily used in the ER Business as currently conducted, (b) all Intellectual Property owned by any Subsidiary, and (c) the Intellectual Property listed on the schedules to the License Agreement.

"Company Plan" means any Plan to which any Company Party contributes to, is a party to, is bound by or could reasonably be expected to have liability (whether known, accrued, absolute, contingent, liquidated or otherwise) with respect to, and under which directors, employees, independent contracts, consultants or other members of the workforce of a Company Party or any ERISA Affiliate is or have been eligible to participate or derive a benefit.

"Confidential Information" is defined in Section 7.4.2.

"Continuation Period" is defined in Section 7.5.2.

"Contracts" means any written agreement, contract, lease, license, and/or purchase and sales order.

"Copyrights" is defined in the definition of Intellectual Property.

"Covered Employee" means each (a) Transferred Employee and (b) individual employed by any Subsidiary as of the Effective Time.

"Covered Product" means any product designed, developed, engineered, manufactured, assembled, certified, marketed, sold, and/or delivered by either (a) the Company, in connection with the operation of the ER Business, or (b) any Subsidiary.

"Disclosure Schedules" means the disclosure schedules annexed hereto and made a part hereof.

"Disposal," "Storage" and "Treatment" shall have the meanings assigned them in the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, *et. seq.* ("RCRA") or any similar state or local Law, provided, however, that such terms shall be applied to all "Hazardous Materials," not solely to "hazardous waste," as defined in RCRA.

"Dyno Lease" means that certain Lease Agreement to be executed and delivered by the Company and Buyer at Closing relating to the Company's post-Closing use of a dynamometer being sold to Buyer pursuant to this Agreement.

"Easement Agreements" means the (1) the Easement Agreement for Ingress, Egress, Parking, Utilities, and Drainage, (2) the Easement Agreement for Ingress, Egress, Utilities, and Drainage, and (3) the Drainage Easement, each to be executed and delivered by SMI and Buyer at the Closing relating to certain easements for Sellers' Charlotte, Michigan campus.

"Effective Time" means 12:01 a.m. EST on February 1, 2020.

"Enforceability Exceptions" means applicable bankruptcy, insolvency, reorganization, moratorium or other Laws of general application affecting enforcement of creditors' rights or by principles of equity.

"Environmental Law" means any Law, Order or Permit issued to any Seller, with respect to the ER Business, or Subsidiary relating to contamination, pollution or the protection of the environment, natural resources or human health and safety or to the use, management, handling, generation, importing, distribution, manufacturing, processing, production, recycling, reclaiming, Storage, Disposal, Treatment, transportation, Release or threatened Release of any, or exposure to, Hazardous Material.

"ER Business" means the business operated by the Sellers and the Subsidiaries of designing, engineering, manufacturing, marketing and selling fire truck apparatus, fire truck cab-chassis and related aftermarket parts, but does not include the business operated by the Company of providing aftermarket servicing and/or repair to fire truck apparatus, fire truck cab-chassis, or any other vehicle.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder.

"ERISA Affiliate" means any Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with the Company, within the meaning of §4001(b) of ERISA or §414 of the Code.

"Estimated Closing Working Capital" means Sixty-Eight Million Two Hundred Eighty-Nine Thousand Dollars ($68,289,000).

"Estimated Purchase Price" is defined in Section 2.7.

"Excluded Assets" is defined in Section 2.3.

"Excluded Liabilities" is defined in Section 2.5.

"Final Adjustment Statement" is defined in Section 2.8.4.

"Final Post-Closing Adjustment" is defined in Section 2.8.4.

"Financial Statements" is defined in Section 3.9.

"Flow of Funds Memo" means that certain Flow of Funds Memorandum to be executed and delivered at Closing by and between Buyer and Sellers.

"Fraud Claims" means claims based upon a party's fraud or intentional misrepresentation in connection with such party's representations and warranties expressly set forth herein, in each case as determined pursuant to Delaware law.

"GAAP" means United States generally accepted accounting principles, as in effect from time to time, applied on a consistent basis. To the extent the application of GAAP permits any subjectivity, GAAP shall be applied on a basis consistent with the past practices of Sellers and the Subsidiaries.

"Governmental Authority" means any domestic, foreign or multi-national federal, state, provincial, regional, municipal or local governmental or administrative authority, including any court, tribunal, agency, bureau, committee, board, regulatory body, administration, commission or instrumentality constituted or appointed by any such authority.

"Hazardous Material" means any chemical, substance, waste, material, pollutant, or contaminant, the use, management, handling, generation, importing, distribution, manufacturing, processing, production, recycling, reclaiming, Storage, Disposal, Treatment, transportation or Release of which is regulated under Law, or which is listed, defined, designated, or classified as, or otherwise determined to be, hazardous, radioactive, or toxic or a pollutant or a contaminant under or pursuant to any Law, including any admixture or solution thereof, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor (including, without limitation, crude oil or any fraction thereof, gasoline, diesel fuel and other petroleum hydrocarbons), polychlorinated biphenyls and asbestos, regardless of whether specifically listed or designated as a hazardous substance under any Environmental Law.

"Indebtedness" means, as at any date of determination thereof (without duplication) with respect to any Seller, with respect to the ER Business, or any Subsidiary: (a) all obligations (other than intercompany obligations) for borrowed money or funded indebtedness or issued in substitution for or exchange for borrowed money or funded indebtedness (including obligations in respect of principal, accrued interest, any applicable prepayment or termination fees, penalties, charges or premiums and any unpaid fees, expenses or other monetary obligations in respect thereof); (b) any indebtedness evidenced by any mortgage, note, bond, letter of credit, debenture or other debt security; (c) all obligations for reimbursement then required to be made of any obligor on any banker's acceptance, letters of credit or similar transactions; (d) all earn-out payments and obligations for the deferred purchase price of property and all conditional sale obligations under any title retention agreement (but excluding trade accounts payable); (e) any obligations with respect to the termination of any interest rate protection agreements, foreign currency exchange arrangements, or other interest or exchange rate commodity or other hedging arrangements; (f) any unfunded pension plan of any Company Party; (g) all obligations of the type referred to in clauses (a) through (f) of any Person the payment of which is the responsibility or liability of any Company Party, directly or indirectly, as guarantor, obligor, surety or otherwise; and (h) obligations of the type referred to in clauses (a) through (g) of other Persons secured by any Lien on any property or asset of any Company Party, but only to the extent of the value of the property or asset that is subject to such Lien. For the sake of clarity, Indebtedness does not include any Assumed Liability secured by any bond or letter of credit listed on a schedule to the Transition Services Agreement.

"Indemnification Threshold" is defined in Section 8.2(c).

"indemnitee" and "indemnitor" are defined in Section 8.5.1(a).

"Independent Accountants" is defined in Section 2.8.3.

"Information Technology Systems" means all Software, servers, computers, computer systems, workstations, networks, data communications lines, databases, websites, routers, hubs, switches and all other information technology equipment, and all associated documentation, in each case, owned by or licensed or leased to a Seller, with respect to the ER Business, or the Subsidiaries.

"Intellectual Property" means all rights arising from or in respect of any of the following in any jurisdiction throughout the world: (i) patents, patent applications, patent disclosures and inventions, including any continuations, divisionals, continuations-in-part, renewals and reissues for any of the foregoing (collectively "Patents"), (ii) Internet domain names, trademarks, service marks, service names, trade dress rights, trade names, brand names, slogans, logos and corporate names and registrations and applications for registration thereof, together with all of the goodwill associated therewith (collectively, "Marks"), (iii) copyrights (registered or unregistered) and copyrightable works and registrations and applications for registration thereof, and mask works and registrations and applications for registration thereof ("Copyrights"), (iv) computer software, (specifically excluding all shrink wrap software), data, data bases and documentation thereof, (v) trade secrets and other confidential and proprietary information (including ideas, formulas, compositions, inventions (whether patentable or unpatentable and whether or not reduced to practice), know-how, manufacturing and production processes and techniques, research and development information, drawings, specifications, designs, plans, proposals, technical data, copyrightable works, financial and marketing plans and customer and supplier lists and information) (collectively, "Trade Secrets"), and (vi) copies and tangible embodiments thereof (in whatever form or medium).

"Inventory" is defined in Section 2.1.2.

"IRS" means the United States Internal Revenue Service.

"Knowledge" for purposes of Section 3.16.2 means (1) the actual knowledge of Tim Sullivan, Dean Nolden, Dan Peters, Lance Roberts and Ian Walsh, and (2) the knowledge as would ordinarily come to the attention of any of the foregoing in the reasonable performance of his or her respective duties on behalf of Buyer or Parent.

"Latest Balance Sheet" is defined in Section 3.9.

"Law" means any common law decision and any federal, state, regional, local or foreign law, statute, ordinance, code, rule, regulation or Order.

"Leased Real Property" is defined in Section 3.16.1.

"Leases" is defined in Section 3.16.1.

"Liability" means any liability, obligation, or commitment of any nature, whether accrued or unaccrued, and whether matured or unmatured, accrued, contingent, liquidated, unliquidated, known or unknown.

"License Agreement" means that certain License Agreement to be executed and delivered by the Company and Buyer at the Closing.

"Licenses" is defined in Section 3.19.

"Lien" means any lien, charge, mortgage, deed of trust, pledge, easement, encumbrance, security interest, matrimonial or community interest, tenancy by the entirety claim, adverse claim, or any other title defect or restriction of any kind.

"Loss" or "Losses" means any and all direct or indirect losses, liabilities, causes of action, damages, costs, expenses and penalties, actions, notices of violation, and notices of liability and any claims in respect thereof (including amounts paid in settlement, and reasonable costs of investigation, collection and enforcement and legal and accounting expenses); provided, however, that Losses shall specifically exclude punitive damages except to the extent awarded to a third party.

"Marks" is defined in the definition of Intellectual Property.

"Material Adverse Effect" means any event, occurrence, fact, condition or change that is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to the financial condition, results of operations, or assets of the ER Business as currently conduced, taken as a whole; provided, however, that "Material Adverse Effect" shall not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (i) general economic or political conditions; (ii) any changes in financial or securities markets in general; (iii) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof; (iv) conditions generally impacting the industries in which the ER Business is operated, (v) any action required or permitted by this Agreement or any other Transaction Agreement or any action taken (or omitted to be taken) with the written consent of or at the written request of Buyer, (vi) the announcement or completion of any transaction contemplated by this Agreement or any other Transaction Agreement, or (vii) any changes in Laws or accounting rules, including GAAP, or the application or enforcement thereof; provided further, however, that any event, occurrence, fact, condition or change referred to in clauses (i) through (iii) immediately above shall be taken into account in determining whether a Material Adverse Effect has occurred or could reasonably be expected to occur to the extent that such event, occurrence, fact, condition or change has a disproportionate effect on the ER Business, taken as a whole, compared to other participants in the industries in which the ER Business is operated.

"Material Contracts" means (a) each Assigned Contract and (b) each Contract required to be identified on Schedule 3.20.

"Material Customers" is defined in Section 3.23.2.

"Material Dealers" is defined in Section 3.23.2.

"Material Suppliers" is defined in Section 3.23.1.

"Non-Competition Period" is defined in Section 7.4.3.

"Order" means any order, judgment, ruling, injunction, assessment, award, decree or writ from any Governmental Authority.

"Organizational Documents" means (a) the articles or certificate of incorporation and the bylaws of a corporation; (b) the partnership agreement and any statement of partnership of a general partnership; (c) the limited partnership agreement and the certificate of limited partnership of a limited partnership, or the operating agreement and the articles of organization or certificate of formation of a limited liability company; (d) any charter or similar document adopted or filed in connection with the creation, formation or organization of a Person; (e) the declaration of trust and trust agreement of any trust; and (f) any amendment to any of the foregoing.

"Owned Real Property" is defined in Section 3.16.1.

"Patents" is defined in the definition of Intellectual Property.

"Permits" means, all licenses, permits, registrations, certificates of occupancy, approvals, authorizations, qualifications, consents and certificates from any Governmental Authority required under applicable Law, but specifically excluding sales tax licenses, required for the operation of the ER Business as currently conducted.

"Permitted Liens" means, with respect to any Company Party: (i) mechanics', carriers', workmen's, repairmen's or other like Liens arising or incurred in the ordinary course of business, if the underlying obligation is not delinquent or in dispute; (ii) Liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business under which the Company Party is not in default; (iii) Liens for current Taxes and utilities not yet due and payable or which may hereafter be paid without penalty or which are being contested in good faith; (iv) easements, covenants, rights of way, and other similar restrictions or conditions of record that do not materially interfere with the Company Party's use of the property to which the restrictions relate; (v) zoning, building, and other similar ordinances or restrictions imposed by applicable Law, and (vi) Liens set forth on Schedule 1-B.

"Person" means an individual, a corporation, a limited liability company, a partnership, a trust, an unincorporated association, a government or any agency, instrumentality or political subdivision of a government, or any other entity or organization.

"Personal Information" means information, in any form, that could be used (alone or in combination with other information) to directly or indirectly identify, contact or track an individual. This includes, without limitation, information covered by any Laws relating to the security, privacy, or processing of personal information in any form.

"Personal Information Obligations" means any Company Party's privacy policies or notices, other policies, terms of use, terms and conditions, Contracts, documents, promises or representations to any Persons, and any applicable Laws, guidance, industry standards, or certifications, regarding Processing of Personal Information, privacy, or data security.

"Plan" means (i) all employee benefit plans (as defined in §3(3) of ERISA), and (ii) all bonus (including transaction bonus), incentive compensation, equity or equity-based, stock appreciation right, phantom stock, restricted stock, restricted stock unit, performance stock, performance stock unit, employee stock ownership, stock purchase, deferred compensation, change in control, employment, noncompetition, nondisclosure, vacation, holiday, sick leave, retention, severance, retirement, savings, pension, money purchase, target benefit, cash balance, excess benefit, supplemental executive retirement, profit sharing, life insurance, cafeteria (§125), adoption assistance, dependent care assistance, voluntary employees beneficiary, multiple employer welfare, medical, dental, vision, severance, change in control, multiple employer welfare, supplemental unemployment compensation, accident, disability, fringe benefit, welfare benefit, paid time off, employee loan, and salary continuation plans, programs, policies, agreements, arrangements, commitments, practices, contracts, associations and understandings (written or unwritten) including, without limitation, any trust, escrow or other agreement related thereto and any similar plans, programs, policies, agreements, arrangements, commitments, practices, contracts and understandings (written or unwritten).

"Preliminary Adjustment Statement" is defined in Section 2.8.1.

"Preliminary Post-Closing Adjustment" is defined in Section 2.8.1.

"Process," "Processes," or "Processing" means the collection, use, interception, alteration, modification, storage, receipt, purchase, sale, maintenance, transmission, transfer, disclosure, processing or use of Personal Information.

"Product Liability Claim" is defined in Section 3.22.3.

"Purchase Price" is defined in Section 2.6.

"Real Property" is defined in Section 3.16.1.

"Registered Intellectual Property" is defined in Section 3.19.

"Release" means any direct or indirect release, spill, pumping, pouring, emission, emptying, discharge, dispersal, injection, placing, escape, leaking, leaching, migration, dumping, deposit or Disposal on or into any building, facility or the environment, whether intentional or intentional, known or unknown.

"Retained Business" means the entire business and operations of the Company and its Affiliates (other than the Subsidiaries), other than the ER Business. The Retained Business consists of the business and operations within SMIS's Fleet Vehicles and Services segment and its Specialty Chassis and Vehicles segment, as each such segment is identified in SMI's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 5, 2019.

"Sellers" means each of SMI and the Company.

"Seller Account" means the account described on the attached Schedule 2.7.

"Seller Indemnitees" is defined in Section 8.3.

"Seller Fundamental Representations" is defined in Section 8.2(a).

"Selling Expenses" means all unpaid costs, fees and expenses of outside professionals incurred by Sellers or Subsidiaries in connection with the consummation of the transactions contemplated hereby, including all legal fees, accounting, tax, management or other similar fees, investment banking fees and expenses.

"SMI" is defined in the preamble of this Agreement.

"Spartan Name Rights" means the "Spartan Motors" name and all derivations of such name.

"Standard Warranty Terms" is defined in Section 3.22.1.

"Straddle Period" is defined in Section 7.8.2.

"Straddle Period Tax" is defined in Section 7.8.2.

"Subsidiary" means each of Detroit Truck Manufacturing, LLC, a Michigan limited liability company; Smeal Holding, LLC, a Michigan limited liability company; Smeal SFA, LLC, a Michigan limited liability company; and Smeal LTC, LLC, a Michigan limited liability company.

"Subsidiary Released Parties" is defined in Section 7.1.4.

"Tangible Personal Property" is defined in Section 2.1.6.

"Tax" or "Taxes" means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, FICA, withholding, excise, severance, stamp, occupation, premium, windfall profits, customs duties, capital stock, franchise, profits, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, escheat, unclaimed property, environmental or other tax assessment or charge of any kind whatsoever imposed by any Taxing Authority, including any interest, penalty, or addition thereto, whether disputed or not and including any obligations to indemnify or otherwise assume or succeed to the Tax liability of any other Person by reason of contract (whether written or oral), assumption, transferee liability, operation of law, §1.1502-6 of the Treasury Regulations (or any predecessor or successor thereof or any analogous or similar provision under Law) or otherwise.

"Tax Return" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof required to be filed with any Taxing Authority with respect to Taxes.

"Taxing Authority" means any domestic or foreign national, state, provincial, multi-state or municipal or other local executive, legislative or judicial government, court, tribunal, official, board, subdivision, agency, commission or authority thereof, or any other governmental body exercising any regulatory or taxing authority thereunder having jurisdiction over the assessment, determination, collection or other imposition of any Tax.

"Third-Party Claim" is defined in Section 8.5.1(a).

"Title Insurers" means Nebraska Title Company/Old Republic National Title Insurance Company (all Nebraska Owned Real Property), First American Title Insurance Company (Owned Real Property in Charlotte, MI) and First Dakota Title/First American Title Insurance Company (for Brandon, SD Owned Real Property).

"To Sellers' Knowledge" means (1) the actual knowledge of Daryl Adams, Rick Sohm, Todd Fiero, Tom Schultz, Amanda VanDuyn and/or, solely with respect to Section 3.22.3, Wes Chestnut and (2) the knowledge as would ordinarily come to the attention of any of the foregoing in the reasonable performance of his or her respective duties on behalf of the Company.

"Trade Secrets" is defined in the definition of Intellectual Property.

"Transaction Agreements" means this Agreement, the Transition Services Agreement, and the License Agreement.

"Transfer Taxes" is defined in Section 7.2.

"Transferred Employees" is defined in Section 7.5.1.

"Transferred Hardware" is defined in Section 2.1.5.

"Transition Services Agreement" means that certain Transition Services Agreement to be executed and delivered at Closing by and among SMI, the Company, and Buyer.

"Working Capital" means (a) the sum of the Company Parties' aggregate current assets (excluding any Tax assets (current, deferred or otherwise), loans receivable from Seller or any of its Affiliates, and Cash) *minus* (b) the sum of the Company Parties' aggregate current liabilities (excluding Indebtedness and any current or deferred income Tax liability). For the sake of clarity as it relates to the calculation of the Estimated Closing Working Capital and the Closing Working Capital, the principles set forth on the attached Schedule 1-C shall apply.

"Working Capital Target" means an amount equal to Eighty-Three Million Two Hundred Eighty-Nine Thousand Dollars ($83,289,000).

Article 2
Purchase and Sale

2.1 Sale of Assets by the Company. Subject to the terms and conditions set forth in this Agreement, and excluding the Excluded Assets, at the Closing, the Company shall sell, assign, transfer, convey, and deliver to Buyer, and Buyer shall purchase from the Company, free and clear of all Liens other than Permitted Liens, all of the Company's right, title, and interest in, to, and under the following assets, properties, and rights, to the extent that such assets, properties, and rights exist as of the Closing Date:

2.1.1 all accounts receivable held by the Company as of the Closing owing from customers of the ER Business ("Accounts Receivable");

2.1.2 all inventory, finished goods, raw materials, work in progress, packaging, supplies, parts, and other inventories held by the Company for use primarily in the ER Business ("Inventory");

2.1.3 all Contracts (including Leases) listed and/or described on Schedule 2.1.3 (the "Company Assigned Contracts");

2.1.4 all Company Intellectual Property;

2.1.5 all computer hardware that is owned by the Company and listed on Schedule 2.1.5 (the "Transferred Hardware");

2.1.6 all furniture, fixtures, equipment, machinery, tools, office equipment, supplies, telephones, and other tangible personal property used primarily in the ER Business and the vehicles listed on Schedule 2.1.6 (the "Tangible Personal Property");

2.1.7 all Permits listed on Schedule 2.1.7, but only to the extent transferable under applicable Law;

2.1.8 all prepaid expenses, credits, advance payments, claims, security, refunds, rights of recovery, rights of set-off, rights of recoupment, deposits, charges, sums, fees, and other current assets of the Company (excluding any such item relating to the payment of Taxes other than Taxes payable with respect to any Real Property or Tangible Personal Property), but only to the extent primarily related to the ER Business;

2.1.9 all of the Company's rights under warranties, indemnities, and all similar rights against third Persons to the extent related primarily to any Assets;

2.1.10 maintenance files relating to the Tangible Personal Property; and customer lists, customer purchasing histories, price lists, distribution lists, supplier lists, production data, quality control records and procedures, customer complaints and inquiry files, research and development files, records and data, sales material and records, marketing and promotional surveys, material and research, and files relating to the Company Intellectual Property, but, in each case, only to the extent relating primarily to the ER Business (collectively, the "Books and Records");

2.1.11 the Company's right, title, and interest in and to the Spartan Name Rights;

2.1.12 the real property described on the attached Schedule 2.1.12 (the "Brandon Parcel");

2.1.13 all goodwill and the going concern value of the ER Business;

2.1.14 all of the issued and outstanding equity interests of each of Smeal Holding, LLC and Detroit Truck Manufacturing, LLC; and

2.1.15 all other assets of the Company primarily related to the ER Business.

2.2 Sale of Assets by SMI. Subject to the terms and conditions set forth in this Agreement, at the Closing, SMI shall sell, assign, transfer, convey, and deliver to Buyer, and Buyer shall purchase from SMI, free and clear of all Liens other than Permitted Liens, all of SMI's right, title, and interest in, to, and under the following:

2.2.1 the real property described on the attached Schedule 2.2.1 (each, a "Charlotte Parcel");

2.2.2 all Contracts listed and/or described on Schedule 2.2.2 (the "SMI Assigned Contracts" and together with the Company Assigned Contracts, the "Assigned Contracts");

2.2.3 all fixtures, equipment, machinery, tools, and other tangible personal property used by Detroit Truck Manufacturing, LLC;

2.2.4 the Spartan Name Rights;

2.2.5 all Company Intellectual Property; and

2.2.6 all other assets of SMI primarily related to the ER Business.

2.3 Excluded Assets. The "Excluded Assets" shall consist of all assets owned by either Seller other than the Assets. The Excluded Assets specifically include:

2.3.1 the corporate seals, organizational documents, minute books, stock books, Tax Returns, books of account, or other records having to do with the corporate organization of either Seller; all employee-related or employee benefit-related files or records; any other books and records that either Seller is prohibited from disclosing or transferring to Buyer under applicable Law or is required by applicable Law to retain; and all other books and records of the Company other than the Books and Records;

2.3.2 all Company Plans and assets attributable to Company Plans;

2.3.3 all computers, servers, and other hardware other than the Transferred Hardware;

2.3.4 all assets listed on the attached Schedule 2.3.4;

2.3.5 all Cash, bank accounts, and securities owned or held by SMI or any Company Party;

2.3.6 all Contracts to which either Seller is a party, other than the Assigned Contracts;

2.3.7 all Intellectual Property owned or held by either Seller, other than the Company Intellectual Property and the Spartan Name Rights;

2.3.8 all insurance policies of either Seller and all rights to applicable claims and proceeds thereunder;

2.3.9 all Tax assets of either Seller and/or any of their respective Affiliates; and

2.3.10 the rights that accrue or will accrue to either Seller under the Transaction Agreements.

2.4 Assumption of Liabilities. Subject to the terms and conditions set forth in this Agreement, at the Closing, the Company shall assign to Buyer, and Buyer shall assume and agree to pay, perform, and discharge when due the following Liabilities of either Seller arising out of or relating to the ER Business or the Assets, other than the Excluded Liabilities (collectively, the "Assumed Liabilities"):

2.4.1 all trade accounts payable, accrued expenses, and other current Liabilities of the Company to third Persons in connection with the ER Business that remain unpaid as of the Closing Date, exclusive of any Charlotte Liabilities, but specifically including, and only to the extent included in the Closing Working Capital, all accrued and unpaid compensation of all Covered Employees as of Closing (including hourly wages, salary, overtime, bonuses, 401k, profit-sharing, commissions, fringes, PTO, vacation, holiday, sick days, statutory deductions, payroll Taxes, severance, retention, and other costs earned but not paid and/or used as of the Closing);

2.4.2 all employment and employee-benefit related Liabilities, obligations, claims or losses that relate to any Covered Employee (and/or his or her dependents or beneficiaries) and that arise as a result of an event or events that occur after the Closing Date;

2.4.3 all Liabilities relating to costs incurred to notify owners and remedy non-compliances with federal motor vehicle safety standards or safety-related defects that exist in any Covered Product;

2.4.4 all Liabilities, whether arising under a theory of negligence, strict liability, bailment, and/or otherwise, relating to any injury to a Person or damage to property, whether occurring before or after Closing by reason of (a) the improper performance or malfunctioning of a Covered Product; (b) the improper design or manufacture of a Covered Product; (c) improper warnings to any users of any Covered Product (whether in written instructional materials, located on the Covered Product, in marketing literature, or otherwise); (d) improper or deficient training of users of the Covered Products; or (e) other defects of any Covered Products;

2.4.5 all Liabilities with respect to the Assigned Contracts, including all unfulfilled customer commitments, quotations, purchase orders, customer orders, and work orders outstanding, pending, or in process as of Closing, but only to the extent that such Liabilities do not relate to any breach, default or violation by

a Seller or any Subsidiary disclosed on Schedule 3.20;

2.4.6 all Liabilities relating to claims made, whether before or after Closing, by any Person that any Covered Product breached any warranty provided by either Seller or any of their respective current or former Affiliates to such Person;

2.4.7 all Liabilities set forth in Schedule 2.4.7; and

2.4.8 all other Liabilities primarily arising out of, or primarily relating to, the operation of the ER Business or the ownership of the Assets prior to, on, or after the Closing Date.

2.5 Excluded Liabilities. Notwithstanding Section 2.4, Buyer shall not assume and shall not be responsible to pay, perform, or discharge any of the Liabilities of the Company listed in this Section 2.5 (collectively, the "Excluded Liabilities"). The Excluded Liabilities consist of:

2.5.1 any Liability for (i) Taxes of the Company or relating to the ER Business, the Assets, or the Assumed Liabilities for any taxable period ending on or prior to the Closing Date; (ii) Taxes that are the responsibility of either Seller pursuant to this Agreement or any other Transaction Agreement; or (iii) other Taxes of the Company of any kind or description;

2.5.2 except to the extent set forth in Section 2.4.1 above, any Liability in any way related to savings plans, gain-sharing plans, severance, termination benefits, deferred compensation, pension, profit sharing, retirement, health, dental, or other Company Plans, including any employee pension benefit plan or any other obligations for the benefit of any current or former personnel (including any employee, officer, director, retiree, independent contractor, or consultant) of the Company, arising out of the employment or engagement of such personnel (with respect to the Transferred Employees, until the Effective Time, and with respect to all other employees, at any time) or the termination of the employment or engagement of any such personnel by the Company upon or in connection with the Closing;

2.5.3 the Liabilities set forth on Schedule 2.5.3 (the "Charlotte Liabilities");

2.5.4 any Liability in any way related to or arising from any matter disclosed in Schedule 3.19(vii));

2.5.5 except to the extent set forth in Section 2.4.1 above, all employment, worker's compensation and employee-benefit related Liabilities, obligations, claims or losses that relate to any Covered Employee (and/or his or her dependents or beneficiaries) and that arise as a result of an event or events that occur on or prior to the Closing Date;

2.5.6 any Indebtedness;

2.5.7 any Selling Expenses;

2.5.8 any Liabilities set forth in Schedule 2.5.9;

2.5.9 any Liabilities relating to or arising out of the Excluded Assets; and

2.5.10 any other Liability not included in the Assumed Liabilities.

2.6 Purchase Price. In consideration for the sale of the Assets by Sellers to Buyer and the other covenants made by Sellers pursuant to this Agreement, Buyer agrees to assume the Assumed Liabilities and to pay and transfer to Sellers an amount (the "Purchase Price") equal to (a) Seventy Million Dollars ($70,000,000) (the "Base Purchase Price"), *plus* (or *minus*) (b) the amount by which the Closing Working Capital exceeds (or is less than) the Working Capital Target, pursuant to the procedures set forth in Section 2.8 below, *plus* (c) the amount of any Closing Cash that is inadvertently transferred to Buyer, *minus* (d) the amount of Closing Indebtedness that is paid by Buyer, and *minus* (e) the Selling Expenses that are paid by Buyer. For the sake of clarity, the parties acknowledge that (i) all Cash of either Seller is an Excluded Asset that is not intended to be transferred to Buyer, (ii) all Indebtedness and Selling Expenses of either Seller are Excluded Liabilities that are not intended to be transferred to or paid by Buyer, and (iii) the purpose of including clauses (c) through (e) of the preceding sentence is to confirm that Buyer shall reimburse Sellers for any Cash acquired in connection with the transactions described in this Agreement and that Sellers shall reimburse Buyer for any Indebtedness or Selling Expenses that are paid by Buyer in connection with the transactions described in this Agreement.

2.7 Payment of Estimated Purchase Price. As used in this Agreement, "Estimated Purchase Price" means an amount equal to the Purchase Price calculated as set forth in Section 2.6, assuming that the Closing Working Capital is equal to the Estimated Closing Working Capital. Subject to the terms and conditions of this Agreement, on the first Business Day following the Closing, Buyer shall pay and deliver to Sellers, by means of wire transfers of immediately available funds to the Seller Account, an aggregate amount equal to the Estimated Purchase Price.

2.8 Post-Closing Adjustment.

2.8.1 Adjustment Statement Preparation. Within one hundred twenty (120) days after the Closing Date, Buyer shall cause to be prepared and delivered to the Company an adjustment statement (the "Preliminary Adjustment Statement") setting forth (a) Buyer's calculation of the amount of the Closing Working Capital; (b) Buyer's calculation of the Purchase Price; and (c) Buyer's calculation of the adjustment necessary to reconcile the Estimated Purchase Price to the Purchase Price (the "Preliminary Post-Closing Adjustment"). At the same time it delivers the Preliminary Adjustment Statement, Buyer shall deliver to the Company documentation to support its calculations and other amounts set forth in the Preliminary Adjustment Statement. The amount of Closing Working Capital set forth in the Preliminary Adjustment Statement (i) shall be prepared in accordance with the Accounting Principles and (ii) shall not include any changes in assets or liabilities as a result of purchase or other non-cash accounting adjustments or other changes arising from or resulting as a consequence of the transactions contemplated by this Agreement or any other Transaction Agreement. The parties agree that the purposes of preparing the Preliminary Adjustment Statement and calculating the Preliminary Post-Closing Adjustment contemplated by this Section 2.8.1 are to update the amount used to calculate the Estimated Purchase Price in Section 2.7 from the Estimated Closing Working Capital to the Closing Working Capital. The parties further agree that the processes set forth in this Section 2.8.1 are not intended to permit the introduction of different accounting methods, policies, principles, practices or procedures than those set forth in the Accounting Principles.

2.8.2 Adjustment Statement Review. The Company shall notify Buyer in writing no later than sixty (60) days after the Company's receipt of the Preliminary Adjustment Statement and the supporting documentation required by Section 2.8.1 setting forth in such written notice the Company's objections to any information set forth in the Preliminary Adjustment Statement and the changes or adjustments that the Company claims are required to be made to the calculations set forth in the Preliminary Adjustment Statement in order to conform the same to the terms of Section 2.8.1. Any items not objected to by the Company in such written notice shall be deemed accepted by the Company.

2.8.3 Adjustment Statement Dispute Resolution. If the Company timely notifies Buyer in accordance with Section 2.8.2 of an objection by the Company to any information contained in the Preliminary Adjustment Statement, and if Buyer and the Company are unable to resolve such dispute through good faith negotiations within fifteen (15) days after the Company's delivery of such notice of objection, then, within the following fifteen (15) day period, the parties shall mutually engage and submit such dispute to, and the same shall be finally resolved in accordance with the provisions of this Agreement by, KPMG (the "Independent Accountants"). The Independent Accountants shall determine and report in writing to Buyer and the Company as to the resolution of only the disputed matters

submitted to the Independent Accountants and the effect of such determinations on the Preliminary Adjustment Statement and the Preliminary Post-Closing Adjustment within twenty (20) days after such submission or such longer period as the Independent Accountants may reasonably require, and such determinations shall be final, binding and conclusive as to Buyer and the Company. The Independent Accountants shall only review and decide the specific items under dispute by the parties, and shall adopt a position that is either equal to Buyer's proposed position or equal to the Company's proposed position. The fees and expenses of the Independent Accountants incurred in resolving the disputed matter will be equitably apportioned by the Independent Accountants based on the extent to which Buyer, on the one hand, and Sellers, on the other hand, is determined by the Independent Accountants to be the prevailing party in the resolution of each such disputed matter. The fees and disbursements of the auditors, investment bankers and other representatives of each party incurred in connection with its respective preparation or review of the Preliminary Adjustment Statement or the Preliminary Post-Closing Adjustment shall be borne by such party.

2.8.4 Final Adjustment Statement and Post-Closing Adjustment. The Preliminary Adjustment Statement and the Preliminary Post-Closing Adjustment shall become the "Final Adjustment Statement" and the "Final Post-Closing Adjustment," respectively, and as such shall become final, binding and conclusive upon Buyer and the Company, for all purposes of this Agreement (and upon which a judgment may be entered by a court of competent jurisdiction), upon the earliest to occur of the following:

(a) the mutual acceptance by Buyer and the Company of the Preliminary Adjustment Statement and the Preliminary Post-Closing Adjustment, respectively, with such changes or adjustments thereto, if any, as may be proposed by the Company and consented to by Buyer;

(b) the expiration of sixty (60) days after the Company's receipt of the Preliminary Adjustment Statement and the supporting documentation required by Section 2.8.1 without timely written objection thereto by the Company in accordance with Section 2.8.2; or

(c) the delivery to Buyer and the Company by the Independent Accountants of the report of their determination of all disputed matters submitted to them pursuant to Section 2.8.3.

2.8.5 Adjustment of Purchase Price. If the Purchase Price, as finally determined in accordance with Section 2.8.4, is greater than the Estimated Purchase Price, then Buyer shall pay the amount of the Final Post-Closing Adjustment to the Company by means of a wire transfer of immediately available funds to the Seller Account. If the Purchase Price, as finally determined in accordance with Section 2.8.4, is less than the Estimated Purchase Price, then the Company shall pay the difference between the amount of such shortfall to Buyer by wire transfer of immediately available funds to an account specified by Buyer with its delivery of the Preliminary Adjustment Statement. All payments due and payable pursuant to this Section 2.8.5 shall be made no later than five (5) Business Days after the Preliminary Adjustment Statement and the Preliminary Post-Closing Adjustment become the Final Adjustment Statement and the Final Post-Closing Adjustment, respectively, pursuant to Section 2.8.4. For Tax purposes, any payment by Buyer or the Company under this Agreement (including pursuant to Article 8) shall be treated as an adjustment to the Purchase Price unless a contrary treatment is required by Law.

Article 3
Representations and Warranties of Sellers

Sellers jointly and severally make the following representations and warranties to Buyer, at and as of the Closing:

3.1 Authority; Capacity. Each Seller possesses all requisite legal right, power, authority and capacity to execute, deliver and perform this Agreement, and each Transaction Agreement to which such Seller is a party, and to consummate the transactions contemplated herein and therein. The execution, delivery and performance of this Agreement and such Transaction Agreements have, as applicable, been duly authorized by all requisite corporate action of each Seller as required by such Seller's Organizational Documents and applicable Law.

3.2 Execution and Delivery; Enforceability. This Agreement has been, and each Transaction Agreement to which each Seller is a party upon delivery will have been, duly executed and delivered by such Seller and, upon the due execution and delivery by each other party hereto and thereto, constitutes, or will upon such delivery constitute, the legal, valid and binding obligation of such Seller, enforceable in accordance with its terms, except as such enforcement may be limited by Enforceability Exceptions. Neither Seller is a party to, subject to, or bound by any Order or Contract that would prevent the execution or delivery of this Agreement by such Seller or the consummation of the transactions described in this Agreement.

3.3 [Intentionally Omitted.]

3.4 Legal Proceedings. There is no Order or action, suit, arbitration, proceeding, investigation or claim of any kind whatsoever, at Law or in equity, pending or, to Sellers' Knowledge, threatened against either Seller, that would give any third party the right to enjoin or rescind the transactions contemplated by this Agreement or otherwise prevent such Seller from complying with the terms and provisions of this Agreement.

3.5 Organization and Good Standing. Each Company Party is duly organized, validly existing, and in good standing under the laws of the state of its formation, as listed on the attached Schedule 3.5. Each Company Party has all requisite power and authority to own and lease its assets and conduct its operations as the same are now being owned, leased, and conducted. Each Company Party is duly qualified or licensed to do business as a foreign entity in each jurisdiction in which the nature of its business or the ownership of its properties requires it to be so qualified or licensed, except where a failure to be so qualified or licensed would not reasonably be expected to have a Material Adverse Effect. Schedule 3.5 sets forth a true and complete list of all jurisdictions in which each Company Party is qualified or licensed to do business as a foreign entity. The Company has provided to Buyer a true, complete and correct copy of the Organizational Documents of each Company Party, each as currently in effect and reflecting any and all amendments thereto. The Organizational Documents of each Company Party are in full force and effect, and no Company Party is in violation of any provision of its Organizational Documents.

3.6 Capitalization. The Company is the sole member and owns all of the outstanding membership interests of each of Smeal Holding, LLC and Detroit Truck Manufacturing, LLC. Smeal Holding, LLC is the sole member and owns all of the outstanding membership interests of each of Smeal LTC, LLC and Smeal SFA, LLC. All of the membership interests of the Subsidiaries have been duly authorized, validly issued, are fully paid and non-assessable and were issued in compliance with all applicable federal and state securities Laws and any preemptive rights, rights of first refusal or any other contractual rights of any Person. With respect to each Subsidiary, (a) there are no voting trusts, proxies, or other agreements or understandings with respect to the voting of any equity interests of such Subsidiary, (b) there does not exist nor is there outstanding any right, security or other agreement granted to, issued to, or entered into with, any Person to cause such Subsidiary to issue or sell any equity interests of such Subsidiary to any Person, and (c) there is no obligation, contingent or otherwise, of such Subsidiary to repurchase, redeem or otherwise acquire any stock or other equity interests of such Subsidiary.

3.7 Subsidiaries. At and as of the Closing, none of the Subsidiaries conducts any business unrelated to the ER Business.

3.8 Noncontravention; Consents.

3.8.1 Except as set forth on Schedule 3.8.1, neither the execution and delivery by Sellers of this Agreement or any Transaction Agreement to which either Seller is a party, nor the consummation by Sellers of the transactions contemplated hereby or thereby, will (i) conflict with or result in a breach of any provisions of the Organizational Documents of SMI or any Company Party, (ii) constitute or result in the breach of any term, condition or provision of, or constitute a default under (with or without notice or lapse of time, or both), or give rise to any right of termination, cancellation or acceleration with respect to, any of the Material Contracts, except for such breaches, defaults, and/or other events that are not reasonably likely to have a Material Adverse Effect, or (iii) violate any Order or Law applicable to SMI or any Company Party or any of the Assets.

3.8.2 Except as set forth on Schedule 3.8.2, no Seller or Subsidiary is required to submit any notice, report or other filing with, or obtain any material consent or other approval of, any Governmental Authority in connection with the execution and delivery by Sellers of this Agreement or any Transaction Agreement to which either Seller is a party, or the consummation of the transactions contemplated hereby or thereby.

3.9 Financial.

3.9.1 Attached to Schedule 3.9.1 are true, correct and complete copies of the internally prepared financial statements of the ER Business as of and for the twelve (12)-month periods ended December 31, 2019 and 2018 (collectively, the "Financial Statements"). Except as set forth on Schedule 3.9.1, (i) the Financial Statements have been prepared in accordance with GAAP, consistently applied, without modification of the accounting principles used in the preparation thereof throughout the periods presented, except for (x) normal year-end adjustments that are not material, individually or in the aggregate and (y) the absence of normal disclosures made in footnotes; and (ii) the Financial Statements present fairly in all material respects the financial position of the ER Business as of the dates indicated and the results of operations for the periods then ended. The Financial Statements are consistent in all material respects with the books and records of the Company Parties. The internally prepared balance sheet of the ER Business as of December 31, 2019 and included in the Financial Statements is referred to as the "Latest Balance Sheet." The Company maintains a standard system of accounting established and administered in accordance with GAAP.

3.9.2 Except as set forth on Schedule 3.9.2, ER Business does not have any known Liabilities that are individually in excess of Two Hundred Fifty Thousand Dollars ($250,000) (whether or not accrued, absolute, contingent, liquidated, unliquidated or otherwise, due or to become due, and regardless of when asserted) other than those (i) specifically reflected on and reserved against on the face of the Latest Balance Sheet, (ii) incurred in the ordinary course of business since the date of the Latest Balance Sheet, (iii) that may arise pursuant to the Transaction Agreements, and/or (iv) that may arise pursuant to any Assigned Contract.

3.10 Absence of Certain Changes or Events. Since December 31, 2018, except as set forth on Schedule 3.10, (i) there has not occurred any fact, event, development or circumstance that has had, or could reasonably be expected to have, a Material Adverse Effect, and (ii) the ER Business has been conducted in the ordinary course of business, consistent with past practice. Except as set forth on Schedule 3.10 and/or as has occurred in the ordinary course of the ER Business, consistent with past practices, since December 31, 2018 and, in each case, as it relates primarily to the ER Business:

(a) no Company Party has amended its Organizational Documents; and no Subsidiary has (x) issued, sold, repurchased, redeemed or acquired any equity or other ownership interests, or granted or entered into any rights, warrants, options, agreements or commitments with respect to the issuance of such equity or other ownership interests, or (y) reclassified any of its equity or other ownership interests;

(b) except for increases made in the ordinary course of business, no Seller, with respect to the ER Business, nor any Subsidiary has granted any increase in the base compensation of any of the Covered Employees in excess of Fifty Thousand Dollars ($50,000) on an annualized basis;

(c) no Seller, with respect to the ER Business, nor any Subsidiary has experienced any damage, destruction or loss (whether or not covered by insurance) to any of the Assets in excess of Fifty Thousand Dollars ($50,000);

(d) no Seller, with respect to the ER Business, nor any Subsidiary has made any material change in connection with its accounts payable or accounts receivable terms, systems, customer deposits, policies or procedures;

(e) no Seller, with respect to the ER Business, nor any Subsidiary has declared, set aside or paid any dividend or other distribution (whether in cash, securities or property or other combination thereof), or effected any redemption, in respect of any membership interests of such Subsidiary;

(f) no Seller, with respect to the ER Business, nor any Subsidiary has made any material capital investment in, or any material loan to, any other Person;

(g) no Subsidiary has made any material Tax election, changed any Tax election, filed any amended Tax Return other than in the ordinary course of business, entered into any closing agreement, settled any Tax claim or assessment, surrendered any right to claim a material refund of Taxes, or consented to any extension or waiver of the limitation period applicable to any Tax claim or assessment relating to any Subsidiary;

(h) (i) there has not been any change in the Tax reporting or accounting policies or practices of the Subsidiaries, including practices with respect to (w) a method of accounting, (x) depreciation or amortization policies or rates, (y) the payment of accounts payable or the collection of accounts receivable, or (z) cash management policies or practices; and (ii) neither the Sellers, with regard to the ER Business, nor the Subsidiaries have taken any actions that have accelerated sales of Covered Products into periods prior to the Closing that would otherwise reasonably be expected to occur following the Closing;

(i) no Subsidiary has incurred any Indebtedness (other than Indebtedness set forth on Schedule 3.25);

(j) no Seller, with respect to the ER Business, nor any Subsidiary has sold, assigned, transferred, licensed, or committed to sell, assign, transfer or license, any tangible or intangible assets for an amount in excess of One Hundred Thousand Dollars ($100,000) individually or in the aggregate, other than sales of inventory in the ordinary course of business;

(k) no Seller, with respect to the ER Business, nor any Subsidiary has purchased or leased, or committed to purchase or lease, any asset or assets for an amount in excess of One Hundred Thousand Dollars ($100,000) individually or in the aggregate, except for purchases of inventory and supplies in the ordinary course of business;

(l) no Seller, with respect to the ER Business, nor any Subsidiary has made or authorized any capital expenditures or commitment for capital expenditures in an amount more than Two Hundred Fifty Thousand Dollars ($250,000);

(m) no Seller, with respect to the ER Business, nor any Subsidiary, has mortgaged, pledged or subjected to any Lien, other than Permitted Liens, any of the Assets;

(n) no Seller, with respect to the ER Business, nor any Subsidiary has instituted or settled any action, claim, suit or proceeding that involved stated claims of more than One Hundred Thousand Dollars ($100,000);

(o) no Subsidiary has merged or consolidated with any corporation or other entity, or otherwise acquired any capital stock or business of, any Person, or consummated any business combination transaction, in each case, whether a single transaction or series of related transactions; and

(p) no Seller, with respect to the ER Business, nor any Subsidiary has agreed to take any of the actions described in subsections (a) through (o) above.

3.11 Taxes. Schedule 3.11 contains a list of states, territories, and jurisdictions (whether foreign or domestic) in which any Seller, with respect to the ER Business, or any Subsidiary will file for 2019 or has filed in the past two (2) calendar years any Tax Return. Except as set forth on the attached Schedule 3.11:

3.11.1 Each Seller, with respect to the ER Business, or any Subsidiary has timely filed or shall timely file all income Tax Returns and other material Tax Returns that are required to be filed on or before the Closing Date, and all such Tax Returns are true, complete, and accurate in all respects;

3.11.2 all Taxes due and payable by any Seller, with respect to the ER Business, or any Subsidiary on or before the Closing Date (whether or not shown on any Tax Return) have been paid or shall be paid on or before the Closing Date, each Seller and Subsidiary has adequate reserves for all Taxes of such Seller, with respect to the ER Business, or any Subsidiary accrued but not yet due, and no Taxes payable by any Seller or Subsidiary are delinquent;

3.11.3 no deficiency for any amount of Tax has been asserted or assessed in writing by a Taxing Authority against any Seller, with respect to the ER Business, or any Subsidiary;

3.11.4 there is no action, suit, proceeding, or audit or any written notice of inquiry of any of the foregoing, pending or threatened in writing against any Seller, with respect to the ER Business, or any Subsidiary regarding Taxes;

3.11.5 no Seller, with respect to the ER Business, nor any Subsidiary has consented to (i) waive any statute of limitations with respect to Tax or (ii) extend the time in which any Tax may be assessed or collected by any taxing authority;

3.11.6 all employees and independent contractors of each Seller, with respect to the ER Business, and each Subsidiary have been properly classified for Tax purposes by such Company Party;

3.11.7 no Seller, with respect to the ER Business, nor any Subsidiary has been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code;

3.11.8 no Seller, with respect to the ER Business, nor any Subsidiary has changed any method of accounting under Section 481 of the Code (or any comparable provision of state, local or foreign Tax laws) or used any improper method of accounting for a taxable period ending on or prior to the Closing Date;

3.11.9 none of the Company Parties has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Code §355 or Code §361;

3.11.10 no Company Party has engaged in a reportable transaction under Treas. Reg. § 1.6011-4(b) or in a transaction that is the same as or substantially similar to one of the types of transactions that the Internal Revenue Service has determined to be a tax avoidance transaction and identified by notice, regulation, or other form of published guidance as a listed transaction, as set forth in Treas. Reg. § 1.6011-4(b)(2);

3.11.11 no Company Party is or has been a member of an Affiliated Group other than an Affiliated Group that includes one or more of Seller and/or any of its current or former Affiliates and none of the Company Parties is a party to or bound by any Tax allocation or sharing agreement;

3.11.12 no claim has ever been made in writing by a taxing authority in a jurisdiction where a Seller, with respect to the ER Business, or any Subsidiary does not file Tax Returns that such Seller, with respect to the ER Business, or any Subsidiary is or may be subject to Taxes assessed by such jurisdiction;

3.11.13 no Seller, with respect to the ER Business, or any Subsidiary has any Liability for Taxes of any other Person under Treasury Regulations Section 1.1502-6 (or any similar provision or state, local or foreign Tax law), as a transferee, by Contract, or otherwise, in each case except for the Company or any Person that is or was a current or former Affiliate of the Company;

3.11.14 each Seller, with respect to the ER Business, and each Subsidiary has withheld all Taxes required to have been withheld and has paid to the appropriate Governmental Authorities all withholding Taxes required to have been paid in connection with amounts paid or owing to any employee, independent contractor, creditor, seller, shareholder, partner, member, or other owner or any other Person;

3.11.15 each Seller, with respect to the ER Business, and each Subsidiary has collected and remitted sales Tax for all sales, or have collected and retained such evidence required by Law to carry the burden of proof that no sales Tax was due for such sale;

3.11.16 none of the Company Parties (A) is a “controlled foreign corporation” as defined in Code §957, (B) is a “passive foreign investment company” within the meaning of Code §1297, or (C) has a permanent establishment (within the meaning of an applicable Tax treaty) or otherwise has an office or fixed place of business in a country other than the country in which it is organized;

3.11.17 none of the Company Parties will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any: (w) “closing agreement” as described in Code Section 7121 (or any corresponding or similar provision of state, local, or non-US income Tax law) executed on or before the Closing Date; (x) installment sale or open transaction disposition made on or before the Closing Date; (y) prepaid amount received on or before the Closing Date; (z) election under Code Section 108(i);

3.11.18 each Seller, with respect to the ER Business, and each Subsidiary is in compliance with all transfer pricing Laws and all Organization for Economic Co-operation and Development guidelines related to transfer pricing and base erosion and profit shifting and never has been party to a transaction which may be subject to adjustment under Section 482 of the Code (including any similar provision of state, local or non-U.S. Law); and

3.11.19 none of the Company Parties is a party to any agreement, contract, arrangement or plan that has resulted or could result, separately or in the aggregate, in connection with the consummation of the transactions set forth in this Agreement, in the payment of (i) any “excess parachute payment” within the meaning of Code §280G (or any corresponding provision of state, local, or non-U.S. Tax law) or (ii) any amount that will not be fully deductible as a result of Code §162(m) (or any corresponding provision of state, local, or non-U.S. Tax law).

3.12 Employees. Except as set forth on Schedule 3.12, there are no, and in the past three (3) years, there have been no pending or, to Sellers’ Knowledge, threatened controversies, grievances, lawsuits, complaints, administrative charges or claims by any Covered Employee with respect to his or her employment, termination of employment, compensation or benefits (other than workers' compensation insurance claims and routine claims for benefits under the Company Plans in the ordinary course of business). No Company Party is a party to, or bound by, any collective bargaining agreement with any labor organization, nor is there currently or has there been in the past five (5) years, any pending or, to Sellers’ Knowledge, threatened union organizational activities or proceedings with respect to any Covered Employees. Schedule 3.12 sets forth a complete list of all Covered Employees, including their dates of hire, compensation (and whether hourly or salaried) and exempt or non-exempt status. No labor strike, slowdown or stoppage is pending or, to Sellers’ Knowledge, threatened with respect to the ER Business. The Sellers, with respect to the ER Business, and the Subsidiaries are in compliance in all material respects with all Laws relating to the employment of the Covered Employees, including all such Laws relating to wages, hours, collective bargaining, discrimination, civil rights, safety and health, workers’ compensation, and the withholding and payment of income and employment Taxes and any similar Tax. The employment of each Covered Employee is terminable at the will of the Seller or Subsidiary employing such Covered Employee, and no Subsidiary is a party to any bonus or severance Contract or similar agreement with any current or former employee of such Subsidiary pursuant to which such Subsidiary currently has or may have in the future any obligations. Except as set forth in Schedule 3.12, no Seller, with respect to the ER Business, nor any Subsidiary has any obligation to pay any bonuses or pay or award any compensation or other rights to payment (or contingent payment) to any Covered Employee contingent upon, triggered by or coincident with the consummation of the transactions set forth in this Agreement. Except as set forth in Schedule 3.12 and except as contemplated by this Agreement, no Seller or Subsidiary is aware that any Covered Employee intends to terminate his or her

employment with such Seller or Subsidiary. No Covered Employee is a party to, or is otherwise bound by, any agreement, including any confidentiality, non-competition or proprietary rights agreement, between such Covered Employee and any Person other than a Seller or Subsidiary, or any Affiliate of a Seller or Subsidiary, that adversely affects the performance of that Covered Employee's duties and activities as an employee of such Seller or Subsidiary, or right or ability of such Covered Employee to carry out the business of such Seller or Subsidiary. All Covered Employees classified as exempt under the Fair Labor Standards Act and state and local wage and hour Laws are properly classified. The Seller, with respect to the ER Business, and the Subsidiaries are in compliance in all material respects with, and have materially complied with, all immigration Laws with respect to the Covered Employees, including Form I-9 requirements and any applicable mandatory E-Verify obligations. There is no unfair labor practice claim, administrative charge of discrimination, or proceeding brought by or on behalf of any employee or former employee of any Company Party under the Fair Labor Standards Act, Title VII of the Civil Rights Act of 1964, the Family Medical Leave Act or any other Laws pending or, to Seller's Knowledge, threatened, against any Seller, with respect to the ER Business, or any Subsidiary. Except as set forth in Schedule 3.12, there are no pending proceedings brought by or on behalf of any employee or former employee of any Seller, with respect to the ER Business, or any Subsidiary seeking benefit under the workers' compensation Laws of any jurisdiction. No Seller, with respect to the ER Business, or any Subsidiary has taken any action since January 1, 2015 that would constitute a "Mass Layoff" under the WARN Act or ay similar state of local Law.

3.13 Employee Benefit Plans and Other Compensation Arrangements. Except as otherwise provided in this Agreement or required by applicable Law, from and after the Closing Date, SMI shall retain Liability for any and all employment and employee-benefit related Liabilities, obligations, claims or losses that relate to (i) any Covered Employee (or his or her dependent or beneficiary) and that arise as a result of an event or events that occurred prior to the Closing Date, or (ii) any Company Plan. Except as set forth on Schedule 3.13:

(a) neither the Company nor any ERISA Affiliate has sponsored, maintained, been liable under, terminated, participated in, been required to contribute to, or incurred withdrawal liability with respect of, a "multiemployer plan" within the meaning of §§3(37) or 4001(a)(3) of ERISA) or a plan subject to §412 of the Code or §302 or Title IV of ERISA, and neither the Company nor any ERISA Affiliate has any accumulated funding deficiency (within the meaning of §302(a)(2) of ERISA and §412(a) the Code), whether or not waived, with respect to any such plan;

(b) neither the Company nor any ERISA Affiliate has any obligation under any Company Plan or otherwise to provide medical, health, life insurance or other welfare-type benefits upon retirement or termination of employment (except for limited continued medical benefit coverage required to be provided under Section 4980B of the Code or as required under applicable state Law, in each case, for which the covered individual pays the full cost of coverage);

(c) each of the Company Plans which is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter form the Internal Revenue Service that such plan is qualified under Section 401(a) of the Code or is entitled to rely upon an opinion or advisory letter issued to the sponsor of an Internal Revenue Service approve M&P or volume submitter plan document, and, to the knowledge of Seller and company, no event has occurred that could reasonably be expected to negatively affect the qualified status of such Company Plan;

(d) no Seller or Subsidiary is a party to any contract, agreement or arrangement that is a "nonqualified deferred compensation plan" (as such term is defined in Section 409A(d)(1) of the Code) and that applies to any Covered Employee; and

(e) no Seller, with respect to the ER Business, Subsidiary nor any ERISA Affiliate has any obligation to gross-up, reimburse or indemnify any individual with respect to any Taxes, including those imposed pursuant to Sections 409A or 4999 of the Code.

3.14 Environmental Matters.

3.14.1 Except as set forth on Schedule 3.14.1, (a) the Sellers, with respect to the ER Business, and the Subsidiaries are in compliance in all material respects with all applicable Environmental Laws, (b) the Sellers, with respect to the ER Business, and the Subsidiaries have obtained and are in compliance in all material respects with all Permits required for their operation of the ER Business under applicable Environmental Laws, (c) the Sellers have obtained and are in compliance in all material respects with all Permits required for its operation of the ER Business under applicable Environmental Laws, a list of which Permits are included on Schedule 3.14.1(c), (d) neither the Subsidiaries nor the Sellers, with respect to the ER Business, have Released Hazardous Materials in contravention of Environmental Laws on the Real Property and (e) to Sellers' Knowledge, there has been no Release of Hazardous Materials in contravention of Environmental Laws with respect to the Real Property, and, to Sellers' Knowledge, none of the Real Property has been contaminated with any Hazardous Material that would reasonably be expected to result in a violation of Environmental Laws by any Seller, with respect to the ER Business, or any Subsidiary.

3.14.2 All written notices alleging violation of or noncompliance with any applicable Environmental Laws received by any Seller or Subsidiary concerning the ER Business and/or the Real Property are set forth on Schedule 3.14.2.

3.14.3 Notwithstanding anything to the contrary in this Agreement, the representations and warranties set forth in this Section 3.14 are the Sellers' sole and exclusive representations and warranties regarding environmental matters.

3.15 Permits; Compliance with Laws. Except as set forth on Schedule 3.15(a), since January 1, 2017, the Sellers, with respect to the ER Business, and the Subsidiaries have been in compliance in all material respects with all applicable Laws and Orders, including all Laws and Orders related to the design, engineering, manufacturing, marketing, and selling of the Covered Products. The Sellers, with respect to the ER Business, and the Subsidiaries have obtained and are in compliance in all material respects with all Permits required for their operation of the ER Business. Except as set forth on Schedule 3.15(b), in the past three (3) years, no Seller, with respect to the ER Business, or Subsidiary has received any notice from any Person alleging any noncompliance with any applicable Law, Order or Permit. To Sellers' Knowledge, each Permit is valid and in full force and effect. Each Permit is listed on Schedule 3.15(c).

3.16 Real and Personal Properties.

3.16.1 Real Property. Schedule 3.16.1 sets forth the address of, and a list of all leases, subleases, or other agreements ("Leases") for the use or occupancy of any real property used by any Seller or Subsidiary in connection with the ER Business (collectively, the "Leased Real Property"). Schedule 3.16.1 also sets forth the address of each of the Charlotte Parcels, the Brandon Parcel, and each parcel of real property owned by any Subsidiary (collectively, the "Owned Real Property" and, together with the Leased Real Property, the "Real Property"). Sellers have delivered to Buyer a true and complete copy of each Lease and all amendments, extensions, renewals and guaranties with respect thereto. Except as set forth on Schedule 3.16.1, with respect to such Lease: (a) each Lease is legal, valid, binding, enforceable, and in full force and effect; (b) the consummation of the transactions contemplated by this Agreement will not result in a termination of or a breach of or default under any Lease; (c) no Company Party that is party thereto nor to Sellers' Knowledge, any third party to any Lease, is in breach or default under such Lease, and to Sellers' Knowledge, no event has occurred or circumstance exists which, with the delivery of notice, passage of time, or both, would constitute such a breach or default or permit the termination, modification, or acceleration of rent under such Lease; (d) the transactions set forth in this Agreement do not require the consent of any other party to such Leases, or such consent has been obtained; (e) no security deposit or portion thereof deposited with respect to any such Leases has been applied in respect of a breach or default under such Leases; and (f) the Company Parties have not collaterally assigned or granted any other security interest in such Leases or any interest therein other than as set forth in Schedule 3.16.1, and (g) as of the Closing Date, the Company Parties do not owe any unpaid expenses for which the Company Parties may be liable to any landlord or brokerage commissions or finder's fees with respect to such Leases. Other than disclosed in Schedule 3.16.1, each applicable Seller or Subsidiary owns good and marketable title to each parcel of Owned Real Property, free and clear of Liens other than Permitted Liens. There are no pending or, to Sellers' Knowledge, threatened condemnation proceedings relating to any of the Owned Real Property. With respect to all of the Real Property, except as set forth on Schedule 3.16.1, the Sellers and Subsidiaries have not subleased, licensed or otherwise granted any Person the right to use or occupy any of the Real Property or any portion thereof. All buildings, structures, improvements, fixtures, building systems and equipment, and all components

thereof, included in the Real Property are in good condition and repair except for (i) ordinary wear and tear and (ii) repairs that would not, on an individual and not aggregate basis, cost more than One Hundred Thousand Dollars ($100,000) each.

3.16.2 Personal Property – Title. The Subsidiaries and Sellers collectively have good and marketable title to, or a valid leasehold interest in, each of the items of tangible personal property reflected on the Latest Balance Sheet or acquired thereafter for use in the ER Business, except for assets reflected thereon or acquired thereafter that have been disposed of in the ordinary course of business since the date of the Latest Balance Sheet, free and clear of all Liens (except for Permitted Liens). Except for the personal property leases indicated on Schedule 3.16.2 and except to the extent reflected in the Transition Services Agreement, no Person, other than the Sellers or Subsidiaries, owns or utilizes any material tangible personal property used by the Sellers or Subsidiaries in the operation of the ER Business.

3.16.3 Personal Property – Sufficiency. Except as set forth on Schedule 3.16.3, the Assets are sufficient for the Buyer to conduct the ER Business (as currently conducted) immediately following the Closing; provided that neither Seller shall have any Liability for any Losses based upon or arising out of any inaccuracy in or breach of this representation and warranty if Buyer had any Knowledge of such inaccuracy or breach prior to or as of the Closing.

3.16.4 Personal Property - Condition Except as set forth on Schedule 3.16.4, the assets of the ER Business (tangible and intangible, real and personal) are in good operating condition and repair, and are adequate for the uses to which they are being put, and are not in need of maintenance or repairs except for (i) ordinary wear and tear and (ii) repairs that would not, on an individual and not aggregate basis, cost more than One Hundred Thousand Dollars ($100,000) each.

3.17 Accounts Receivable. Schedule 3.17 sets forth a complete and accurate aging of all accounts receivable reflected on the Latest Balance Sheet , all of which have been generated in the ordinary course of business, consistent with past practice, and reflect a bona fide obligation for the payment of goods or services provided by the ER Business. Except for allowances for doubtful accounts with adequate reserves set forth in the Financial Statements, to Sellers' Knowledge (a) there is no dispute as to the validity or collectability of any of the Accounts Receivable, and (b) none of the Accounts Receivable is subject to any right of set-off in respect of any obligations of the ER Business.

3.18 Inventories. Except as set forth on Schedule 3.18, (a) the inventories of the ER Business are usable and saleable in the ordinary course of business, except to the extent reserved therefor in accordance with GAAP; (b) the inventories of the ER Business are reflected on the books and records of the Company Parties in accordance with GAAP, on a lower of cost or market basis, consistently applied; and (c) all inventories of the ER Business are the sole property of the Company Parties, are not held by any Company Party on consignment from any third Person and are otherwise free and clear of any Liens (other than Permitted Liens).

3.19 Intellectual Properties. Schedule 3.19 sets forth a complete and correct list of (a) all Company Intellectual Property subject to any issuance, registration, or application by or with any Governmental Authority or authorized private registrar in any jurisdiction ("Registered Intellectual Property"), specifying as to each, as applicable: the title or mark; the owner of record; the jurisdiction; with respect to the domestic applications and registrations only, the issue, registration, or filing date, where applicable; (b) all material unregistered trademarks included in the Company Intellectual Property; and (c) all proprietary software included in the Company Intellectual Property. Schedule 3.19 sets forth all licenses for which a Subsidiary or Sellers, with respect to the ER Business, is a party either as a licensee or licensor (specifying its status) of any Intellectual Property (the "Licenses"). Except as set forth on Schedule 3.19:

(i) Sellers and the Subsidiaries collectively own and possess the sole and exclusive rights to all, right, title and interest in and to, or have a valid and enforceable right or license to use, all Company Intellectual Property, in each case, free and clear of all Liens (except for Permitted Liens);

(ii) (x) the Registered Intellectual Property are valid, subsisting, in full force and effect, and have not been cancelled, expired or abandoned; and (y) Sellers and the Subsidiaries have not abandoned, cancelled, or permitted to be abandoned, cancelled, or lapsed, any issued Registered Intellectual Property or the applications thereof, nor have there been any interference actions, re-examinations, cancellation proceedings, or other judicial, arbitration, or other adversarial proceedings with respect to any such Registered Intellectual Property;

(iii) except pursuant to a License set forth on Schedule 3.19, no Seller or Subsidiary has licensed or otherwise granted any right to any Person under any Company Intellectual Property;

(iv) the conduct of the ER Business as currently conducted and the Company Intellectual Property does not infringe upon, misappropriate or otherwise conflict with, any Intellectual Property owned or controlled by a third Person, and no Seller or Subsidiary has received any written notice regarding, and there are currently no actions, suits, arbitrations, judgments, proceedings, investigations or claims related to any of the foregoing;

(v) (x) to Sellers' Knowledge, no Person has infringed, misappropriated or otherwise conflicted with any of the Company Intellectual Property; and (y) no such claims have been brought or threatened against any Person by any Seller or Subsidiary (including any demands or offers to license any Intellectual Property now or formerly owned or used by a Seller or Subsidiary, and any claims asserting the invalidity, misuse or unenforceability of any Intellectual Property now or formerly owned or used by any Person) with respect to the Company Intellectual Property;

(vi) (A) each of the Licenses is in full force and effect and is the legal, valid and binding obligation of the Seller or Subsidiary that is a party to such License, and to Sellers' Knowledge, the other party thereto, in each case enforceable in accordance with its respective terms, subject to the Enforceability Exceptions; (B) the Seller or Subsidiary that is a party to each such License has performed all material obligations required to be performed by it pursuant to such License, is not in material breach or default thereunder (and no event has occurred that, with the giving of notice, lapse of time, or both, would constitute a material breach or default), and, to Sellers' Knowledge, no other party to any License is in material breach or default thereunder; and (C) neither the Sellers nor any Subsidiary has received any written notice of any Person's intent to terminate or materially amend any License; and

(vii) except as may be set forth in the Transition Services Agreement, the Information Technology Systems used by the Sellers, with respect to the ER Business, and/or Subsidiaries are functional, operational, and adequate, and do not require any material updates, upgrades, or additional licenses to allow the Buyer to conduct the ER Business as currently conducted. Sellers and/or the Subsidiaries have established and implemented commercially reasonable policies and procedures, and taken commercially reasonable measures, to protect the confidentiality, integrity, operation, and security of the Information Technology Systems (and the information stored or processed on those systems) against any unauthorized Processing, or any interruption, corruption or vulnerability. In the 24-month period prior to the date hereof, there has been no failure, breakdown, or continued substandard performance of any Information Technology System that has caused a material disruption or interruption of the ER Business. The Company, with respect to the ER Business, and the Subsidiaries currently are and have been in compliance with all Personal Information Obligations. Neither the Company, with respect to the ER Business, nor any Subsidiary has received any notice from any Person with respect to any non-compliance or non-conformity of any Personal Information Obligations. Neither the execution of this Agreement, the contemplated transactions, nor the performance of Sellers' obligations hereunder will violate any Personal Information Obligations, or require notice to or the consent from any Person for the continued Processing of Personal Information. Except as identified in Schedule 3.19(vii), neither the Sellers, with respect to the ER Business, nor any Subsidiary, nor any Person who Processes Personal Information on behalf of the ER Business, has experienced any loss, damage, unauthorized access, unauthorized disclosure, improper alteration, misuse, or breach of the privacy or security of any Personal Information in its possession, custody, or control that has had or is reasonably likely to have a material impact on the ER Business.

3.20 Contracts. Schedule 3.20 lists all of the following Contracts to which any Subsidiary is a party:

(a) Contracts or group of related Contracts that involve binding commitments to make capital expenditures or that provide for the purchase of goods or services from any Person involving aggregate consideration in excess of One Hundred Thousand Dollars ($100,000);

(b) Contracts or group of related Contracts that provide for the sale of goods or services to any Person involving aggregate consideration in excess of One Hundred Thousand Dollars ($100,000);

(c) Contracts relating to Indebtedness;

(d) broker, distributor, dealer, manufacturer's representative, franchise, or agency Contracts;

(e) Contracts that limit the ability of any Subsidiary to compete in any line of business with any Person or in any geographic area or during any period of time;

(f) Contracts pursuant to which any Subsidiary is a lessor or a lessee of any personal property, or holds or operates any tangible personal property owned by another Person, except for any such individual lease under which the aggregate annual rent or lease payments do not exceed One Hundred Thousand Dollars ($100,000);

(g) partnership or joint venture Contracts;

(h) Contracts that require Subsidiary to purchase its total requirements of any product or service from any Person or that contain "take or pay" provisions;

(i) Contracts to which any Subsidiary is a party that contain a "most-favored nation" pricing agreement, rebate arrangement, mark-down arrangement, agreement to take back or exchange goods, consignment arrangement or similar understandings with a customer or supplier of any Subsidiary;

(j) other Contracts that require any Subsidiary to make payments in excess of One Hundred Thousand Dollars ($100,000) that are not terminable by such Subsidiary without penalty upon less than sixty (60) days' prior written notice;

(k) any Contract with a Material Customer or Material Supplier;

(l) any Contract involving the sale of any equity interests or assets of any Subsidiary, or the acquisition of any equity interests or assets of any Person by any Subsidiary, in any business combination transaction (whether by merger, sale of stock, sale of assets or otherwise);

(m) any Contract providing for payments to or by any Person based on sales, purchases or profits, other than direct payments for goods or involving a sharing of profits, losses, costs or liabilities;

(n) collective bargaining agreement or any other Contract with any labor union, or severance agreements, programs, policies or arrangements;

(o) any Contract that contains warranty, guaranty or other similar undertaking with respect to contractual performance extended by any Subsidiary other than any warranty, guaranty or similar undertaking given in connection with the customer purchase orders in the ordinary course of business;

(p) any employment or consulting agreement between any Subsidiary and any of the employees or consultants of such Subsidiary that obligates any Subsidiary to make annual payments in an amount exceeding One Hundred Thousand Dollars ($100,000) or make any payments to any Person in the event of a termination of such Person's employment or consulting arrangement with any Subsidiary or on account of the completion of the transactions contemplated by this Agreement;

(q) any Contract between any Subsidiary, on the one hand, and any Governmental Authority, on the other hand, except for Contracts for the sale of products by a Subsidiary in the ordinary course of business;

(r) any Contract containing requirements of minimum purchases by any Subsidiary from another Person or requiring any Subsidiary to supply a minimum level of goods or services to another Person;

(s) any Contract between or among any Subsidiary, on the one hand, and any other Subsidiary, or any of their Affiliates on the other hand; and

(t) any other Contract not listed above that is material to the ER Business.

True, complete and correct copies of each Material Contract have been provided to Buyer. Each of the Material Contracts is in full force and effect and is the legal, valid and binding obligation of the Seller or Subsidiary that is a party to such Material Contract, and to Sellers' Knowledge, the other party thereto, in each case enforceable in accordance with its respective terms, subject to the Enforceability Exceptions. Except as set forth on Schedule 3.20, the Sellers and Subsidiaries have performed all obligations required to be performed by them pursuant to the Material Contracts, are not in breach or default thereunder (and no event has occurred that, with the giving of notice, lapse of time, or both, would constitute a breach or default), and, to Sellers' Knowledge, no other party to any Material Contract is in breach or default thereunder. No Seller or Subsidiary has received any written notice of any Person's intent to terminate or materially amend any Material Contract.

3.21 Litigation. Except as set forth on Schedule 3.21, there are no, and in the past five (5) years, there have been no, actions, suits, arbitrations, judgments, proceedings, investigations or claims of any kind, at Law or in equity, pending or, to Sellers' Knowledge, threatened (a) against any Seller with respect to the ER Business, against any Subsidiary, or affecting any of the Assets or (b) that would prohibit Sellers from consummating the transactions contemplated hereunder. Except as set forth on Schedule 3.21, no Subsidiary or Seller (solely with respect to the ER Business) is a party to or subject to any Order, and there are no unsatisfied judgments, penalties or awards against or affecting the ER Business or any of the Assets.

3.22 Product Warranty; Product Liability.

3.22.1 The standard warranty terms of each Seller, with respect to the ER Business, and each Subsidiary used in the sale of its products are listed on Schedule 3.22.1 (collectively, the "Standard Warranty Terms"). Sellers have provided to Buyer true and complete copies of all Standard Warranty Terms. Except for those exceptions described on Schedule 3.22.1, no Seller, with respect to the ER Business, and no Subsidiary has granted warranty terms in the sale of its products that deviate from the Standard Warranty Terms by more than three (3) years or 36,000 miles.

3.22.2 Except as set forth on Schedule 3.22.2, in the past three (3) years, there have been no individual product warranty claims in excess of Fifty Thousand Dollars ($50,000) made against any Seller, with respect to the ER Business, or any Subsidiary alleging that any Covered Products are defective or improperly designed or manufactured, and no such claims are currently pending or, to Sellers' Knowledge, threatened against any Seller or Subsidiary. Except as set forth on Schedule 3.22.2, there have been no product or regulatory recalls with respect to any Covered Product in the past three (3) years.

3.22.3 No claims alleging bodily injury or property damage as a result of any defect in the design or manufacture of any Covered Product or the breach of any duty to warn, test, inspect or instruct of dangers therein (each a "Product Liability Claim"), have been made in the past three (3) years, are currently

pending or, to Sellers' Knowledge, threatened. Except as set forth on Schedule 3.22.3, to Sellers' Knowledge, there are no defects in the design or manufacture of the Covered Products that could result in any Product Liability Claims that, individually or in the aggregate, would be reasonably likely to have a Material Adverse Effect.

3.23 Suppliers and Customers.

3.23.1 Schedule 3.23.1 sets forth the ten (10) largest suppliers to the ER Business (the "Material Suppliers"), in the aggregate (and the dollar volumes related thereto), in each case for the twelve (12)-month periods ended December 31, 2019 and December 31, 2018.

3.23.2 Schedule 3.23.2 sets forth (x) the ten (10) largest dealer relationships of the ER Business (the "Material Dealers"), in the aggregate (and the dollar volumes related thereto), in each case for the twelve (12)-month periods ended December 31, 2019 and December 31, 2018, and (y) the ten (10) largest customers of the ER Business, excluding any dealer relationships (the "Material Customers"), in the aggregate (and the dollar volumes related thereto), in each case for the twelve (12)-month periods ended December 31, 2019 and December 31, 2018.

3.23.3 Neither Seller nor any Subsidiary is currently in any material dispute with any Material Supplier, Material Dealer, or Material Customer. In the past twelve (12) months, except as set forth on Schedule 3.23.3, no Material Supplier, Material Dealer, or Material Customer has (i) canceled or otherwise terminated or, to Sellers' Knowledge, made any threats to cancel or otherwise terminate, its relationship with any Seller or Subsidiary, or (ii) materially decreased or, to Sellers' Knowledge, threatened to materially decrease, its purchases or sales of supplies to the ER Business.

3.24 Insurance. Schedule 3.24 contains an accurate and complete list of all insurance policies for which any Seller, with respect to the ER Business, or any Subsidiary is a named insured. All such policies are in full force and effect, all premiums due and payable with respect thereto have been paid, and no written notice of denial of coverage, cancellation or termination has been received with respect to such policies. Such policies are valid, outstanding and enforceable policies. Neither Seller has not written notice of cancellation of any such insurance policies in the last twelve (12) months. Schedule 3.24 also sets forth a list of all pending claims made by any Seller, with respect to the ER Business, or any Subsidiary under the insurance policies required to be listed on Schedule 3.24.

3.25 Indebtedness. Schedule 3.25 sets forth a listing of all Indebtedness of any Seller, with respect to the ER Business, and the Subsidiaries (including the amount) and the Contracts under which such Indebtedness exists.

3.26 Related Party Transactions. Except as set forth on Schedule 3.26 and except for the transactions contemplated by the Transaction Agreements, neither any Seller nor any Affiliate of any Seller that is not a Subsidiary owes any amount to any Subsidiary nor does any Subsidiary owe any amount to any Seller or any such Affiliate (other than any participant loans under any Company Plan and any payments to, and reimbursement of fees and expenses of, employees, directors and officers of any Subsidiary in the ordinary course of business).

3.27 Power of Attorney. Except as described on Schedule 3.27, no Subsidiary has granted any power of attorney to any Person.

3.28 Certain Payments. Since January 1, 2015, the Sellers, with respect to the ER Business and the Subsidiaries and all of the directors, officers, agents, independent contractors, or employees of the Sellers and the Subsidiaries have not, in violation of applicable Laws, directly or indirectly made any contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to any Person, private or public, regardless of form, whether in money, property, or services, (a) to obtain favorable treatment in securing business for the Sellers, with respect to the ER Business, or the Subsidiaries, (b) to pay for favorable treatment for business secured for Sellers, with respect to the ER Business, or the Subsidiaries, or (c) to obtain special concessions, or for special concessions already obtained, for or in respect of the ER Business.

3.29 Independent Accountants. Since January 1, 2015, neither Seller nor any of their Affiliates have engaged the Independent Accountants to provide any products or services to either Seller or any of their Affiliates nor do Sellers or any of their Affiliates have any current plans, proposals, or requests for proposals to engage the Independent Accountants to provide any products or services to either Seller or any of their Affiliates, except for the services that may potentially be provided by the Independent Accountants pursuant to this Agreement.

3.30 Export Control Laws. The Company and the Subsidiaries are in compliance in all material respects with all statutory and regulatory requirements controlling the export of goods, services, technical data and technology including requirements pursuant to: the United States International Traffic in Arms Regulations (ITAR), the Export Administration Act (50 U.S.C. App. §§2401-2420), the Export Administration Regulations (15 C.F.R. Parts 730 through 774), the International Emergency Economic Powers Act (50 U.S.C. §§1701-1706) and such applicable law and executive orders administered and implemented by the Office of Foreign Assets Controls, United States Department of the Treasury.

3.31 Brokerage. Except for fees or expenses of Baird, no Person is or will become entitled, by reason of any agreement or arrangement entered into or made by or on behalf of Sellers, Subsidiaries, or any of their Affiliates, to receive any commission, brokerage, finder's fee or other similar compensation in connection with the consummation of the transactions contemplated by this Agreement.

Article 4
Representations and Warranties of Buyer and Parent

Buyer and Parent jointly and severally make the following representations and warranties to Sellers, at and as of the Closing:

4.1 Organization; Authorization. Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Nevada. Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Each of Buyer and Parent has all requisite legal right, power and authority to execute, deliver and perform this Agreement and each other Transaction Agreement to which it is a party, and to consummate the transactions contemplated herein and therein. The execution, delivery and performance of this Agreement and such Transaction Agreements have been duly authorized by all requisite corporate or other necessary action of Buyer and Parent.

4.2 Execution and Delivery; Enforceability. This Agreement has been, and each Transaction Agreement to which Buyer or Parent is a party upon delivery will have been, duly executed and delivered by Buyer or Parent, as applicable, and constitutes, or will upon such delivery constitute, the legal, valid and binding obligation of Buyer or Parent, as applicable, enforceable in accordance with its terms, except as such enforcement may be limited by the Enforceability Exceptions. Neither Buyer nor Parent is a party to, subject to, or bound by any Order of any Governmental Authority, or any Contract which would prevent the execution or delivery of this Agreement or any such Transaction Agreement by Buyer or Parent.

4.3 Governmental Authorities; Consents. Neither Buyer nor Parent is required to submit any notice, report or other filing with, or obtain any consent, approval or authorization of, any Governmental Authority or other Person in connection with their execution, delivery or performance of this Agreement or any Transaction Agreement to which either of them is a party, and such execution, delivery and performance will not violate any Law by which either of them is bound.

4.4 Brokerage. No Person is or will become entitled, by reason of any Contract entered into or made by or on behalf of Buyer or Parent, to receive any commission, brokerage, finder's fee or other similar compensation in connection with the consummation of the transactions contemplated by this Agreement.

4.5 Legal Proceedings. There is no Order or action, suit, arbitration, proceeding, investigation or claim of any kind whatsoever, at Law or in equity, pending or, to the knowledge of Buyer or Parent, threatened against Buyer or Parent, that would give a third party the right to enjoin or rescind the transactions

contemplated by this Agreement or otherwise prevent Buyer or Parent from complying with the terms and provisions of this Agreement.

4.6 Independent Accountants. Since January 1, 2015, neither Parent nor any of its Affiliates have engaged the Independent Accountants to provide any products or services to Parent or any of its Affiliates nor do Parent or any of its Affiliates have any current plans, proposals, or requests for proposals to engage the Independent Accountants to provide any products or services to Parent or any of its Affiliates, except for the services that may potentially be provided by the Independent Accountants pursuant to this Agreement.

4.7 Due Diligence Investigation. Each of Buyer and Parent acknowledges that it has had the opportunity to conduct its due diligence investigation with respect to the transactions contemplated by this Agreement as desired by Buyer and Parent and that neither Buyer nor Parent has relied upon any representation or warranty by Seller, any of its Affiliates, or any of their respective representatives in connection with consummation of the transactions contemplated hereunder except the warranties and representations expressly set forth in this Agreement.

Article 5
Closing Deliveries

5.1 Closing Deliveries of Sellers. At the Closing, Sellers shall deliver, or cause to be delivered, the following to Buyer:

(a) a bill of sale and assignment in a form mutually acceptable to the parties (the "Bill of Sale"), duly executed by each Seller;

(b) an assignment and assumption agreement in a form mutually acceptable to the parties (the "Assignment and Assumption Agreement"), duly executed by each Seller;

(c) with respect to each of the Charlotte Parcels and the Brandon Parcel, a warranty deed in a form mutually acceptable to the parties conveying title which is free and clear of all Liens and encumbrances other than Permitted Liens, duly executed and notarized by Seller that is the owner of such Real Property;

(d) assignments of all of the issued and outstanding membership interests in Smeal Holding, LLC and Detroit Truck Manufacturing, LLC (each, an "Assignment of Membership Interest"), each duly executed by the Company;

(e) a certificate of good standing of SMI and each of the Company Parties as of the most recent practicable date from the Secretary of State of their respective states of incorporation or formation;

(f) a non-foreign person affidavit that complies with the requirements of §1445 of the Code from, and executed by, each Seller;

(g) the Flow of Funds Memo, duly executed by each Seller;

(h) the Transition Services Agreement, duly executed by each Seller;

(i) the License Agreement, duly executed by the Company;

(j) duly executed resignations of those managers and officers of the Subsidiaries set forth on Schedule 5.1(j), which resignations are effective as of the Closing;

(k) the Easements, each duly executed by SMI;

(l) Seller's affidavit required by the Title Insurers stating that there are no outstanding, unsatisfied judgments, tax liens or bankruptcies against or involving Sellers or the applicable parcel of Owned Real Property, that there has been no skill, labor or material furnished to the applicable parcel of Owned Real Property at the request of Sellers for which mechanics' liens could be filed, and that there are no other unrecorded interests in the applicable parcel of Owned Real Property known to Sellers;

(m) the Dyno Lease, duly executed by the Company; and

(n) such other documents and instruments as may be reasonably requested by Buyer or the Title Insurers in order to consummate the transactions set forth in this Agreement.

Any agreement or document to be delivered to Buyer pursuant to this Section 5.1, the form of which is not attached to this Agreement as an exhibit, shall be in form and substance reasonably satisfactory to Buyer.

5.2 Closing Deliveries of Buyer. At the Closing, Buyer shall deliver, or cause to be delivered, the following to Sellers:

(a) Buyer shall have delivered the Estimated Purchase Price to the Seller Account;

(b) the Bill of Sale, Assignment and Assumption Agreement, and Assignment of Membership Interest, each duly executed by Buyer;

(c) the Flow of Funds Memo, duly executed by Buyer and Parent;

(d) the Transition Services Agreement, duly executed by Buyer and Parent;

(e) the Easements, duly executed by Buyer;

(f) the Dyno Lease, duly executed by Buyer; and

(g) such other documents and instruments as may be reasonably requested by Seller in order to consummate the transactions set forth in this Agreement.

Any agreement or document to be delivered to Seller pursuant to this Section 5.2, the form of which is not attached to this Agreement as an exhibit, shall be in form and substance reasonably satisfactory to Sellers.

Article 6
The Closing

The consummation of the transactions contemplated by this Agreement (the "Closing") will take place simultaneously with the execution and delivery of this Agreement, electronically by the mutual exchange and delivery of facsimile or portable document format (.PDF) signatures. The date on which the Closing actually occurs is referred to as the "Closing Date." The transfers and deliveries described in Article 5 shall be mutually interdependent and shall be regarded as occurring simultaneously, and, any other provision of this Agreement notwithstanding, no such transfer or delivery shall become effective or shall be deemed to have occurred until all of the other transfers and deliveries provided for in Article 5 shall also have occurred or been waived in writing by the party entitled to waive the same. Such transfers and deliveries shall be deemed to have occurred and the Closing shall be effective as of the Effective Time.

Article 7
Additional Covenants and Agreements

7.1 Miscellaneous Covenants.

7.1.1 Post-Closing Publicity. Following the Closing, no party shall make any public disclosure or comment regarding the specific terms of this Agreement or the transactions contemplated by this Agreement without the prior approval of the other parties, which approval shall not be unreasonably withheld, except as may be required by Law or by any Governmental Authority or the rules of any stock exchange or trading system or as is reasonably necessary to enforce any rights under this Agreement. Each party shall be entitled to disclose or comment to any Person that a transaction has been consummated. In addition, nothing in this Agreement shall preclude communications or disclosures necessary to implement the provisions of this Agreement, and each party may make such disclosures as it may consider necessary or advisable in order to satisfy its legal or contractual obligations to its lenders, trustees, beneficiaries, shareholders, investors, or other interested parties without the prior written consent of any other party.

7.1.2 Expenses. Buyer shall pay all fees and expenses incident to the transactions contemplated by this Agreement that are incurred by Buyer, Parent, or their representatives or are otherwise expressly allocated to Buyer or Parent pursuant to this Agreement, and Sellers shall pay all fees and expenses incident to the transactions contemplated by this Agreement that are incurred by either Seller or their respective representatives or by any Subsidiary or its representatives, or are otherwise expressly allocated to Sellers pursuant to this Agreement. For the avoidance of doubt, Seller shall pay for (i) the cost of all title commitments and title insurance policies (date-down endorsements with respect to Subsidiary-owned real estate) with "extended coverage" (provided, however, that Buyer shall be responsible for any of the other endorsements on the title insurance policies) (ii) the cost of all required surveys of the Owned Real Properly (except for the updated survey of the Brandon Parcel) or charges by the Title Companies other than the cost of title insurance, and (iii) all recording fees for releasing any and all Liens on the Owned Real Property (including the mortgage on the Brandon Parcel).

7.1.3 No Assignments. No assignment of all or any part of this Agreement or any right or obligation pursuant to this Agreement may be made by any party without the prior written consent of the other parties, and any attempted assignment without such consent shall be void and of no force or effect. Notwithstanding the foregoing, (a) Buyer may assign its rights and obligations pursuant to this Agreement to one or more of its Affiliates, (b) Buyer may assign in whole (but not in part) this Agreement and its rights and obligations under this Agreement in connection with a merger or consolidation involving Buyer, or in connection with a sale of substantially all of the equity or assets of Buyer or other disposition of substantially all of the ER Business, and (c) Buyer may assign any or all of its rights pursuant to this Agreement, including its rights to indemnification, to any of its lenders as collateral security; provided that, in the event of any assignment described in this sentence, Buyer and Parent shall remain principally and jointly and severally liable to each Seller and each Seller Indemnitee for all of Buyer's and Parent's respective representations, warranties, covenants, agreements, and other Liabilities set forth in this Agreement.

7.1.4 Release.

(a) Each Seller unconditionally, irrevocably, and forever releases and discharges each Subsidiary, its successors and assigns, and its present or former directors, officers, employees and agents (collectively, the "Subsidiary Released Parties"), of and from, and unconditionally and irrevocably waives, any and all Claims that either Seller has ever had, now has, or ever may have or claim to have against any of the Subsidiary Released Parties, for or by reason of any matter, circumstance, event, action, inaction, omission, cause or thing whatsoever arising prior to the Closing; provided, however, that this release does not extend to any Claim to enforce the rights of either Seller or any of their respective Affiliates under any Transaction Agreement. Each Seller acknowledges that it is aware that it may hereafter discover claims or acts, omissions, facts, circumstances or matters in addition to or different from those which it now knows or believes to exist with respect to the claims released herein, but that it is its intention to hereby fully, finally, and forever to settle and release all of the claims set forth herein. In furtherance of this intention, the releases herein given shall be and remain in effect as full and complete releases notwithstanding the discovery or existence of any such additional or different acts, omissions, facts, circumstances or matters. Each Seller represents that it has made no assignment or transfer of any of the claims herein above mentioned or implied. Each Seller further agrees that in the event it should assert any claim herein released seeking damages against any of the Subsidiary Released Parties, such Seller shall pay all costs and expenses of defending against such assertion incurred by such Subsidiary Released Party, including reasonable attorneys' fees.

(b) Seller represents that it has made no assignment or transfer of any of the claims herein above mentioned or implied. Seller further agrees that it should assert any claim herein released seeking damages against any of the Subsidiary Released Parties, Seller shall pay all costs and expenses of defending against such assertion incurred by such Subsidiary Released Party, including reasonable attorneys' fees.

7.1.5 Further Assurances. From time to time after the Closing, at the request of a party, the other parties shall execute and deliver any further instruments and take such other action as such first party may reasonably request to carry out the transactions contemplated by this Agreement.

7.2 Transfer Taxes. Sellers shall pay any and all sales, use, value added, transfer, stamp, registration, real property transfer or gains and similar Taxes (including any penalties and interest) ("Transfer Taxes") incurred as a result of the transactions contemplated by this Agreement when due, and Sellers, at their expense, shall file or cause to be filed all necessary Tax Returns and other documentation with respect to all such Transfer Taxes. To the extent that any such Transfer Taxes are required to be collected by Buyer, Sellers shall pay such amounts to Buyer, and Buyer shall remit such Taxes to the Taxing Authority.

7.3 Allocation Schedule. The Company and Buyer agree that the Purchase Price shall be allocated among the Assets for all Tax purposes as shown on the allocation schedule (the "Allocation Schedule"). A draft of the Allocation Schedule shall be prepared by Buyer and delivered to the Company within ninety (90) days following the Closing Date for its approval. If the Company notifies Buyer in writing that it objects to one or more items reflected in the Allocation Schedule, the Company and Buyer shall negotiate in good faith to resolve such dispute; provided, however, that if the Company and Buyer are unable to resolve any dispute with respect to the Allocation Schedule within thirty (30) days following the Closing Date, such dispute shall be resolved by the Independent Accountants. The fees and expenses of such accounting firm shall be borne equally by the Company and Buyer. The Company and Buyer shall file all Tax Returns (including amended returns and claims for refund) and information reports in a manner consistent with the Allocation Schedule. Any adjustments to the Purchase Price pursuant to this Agreement shall be allocated in a manner consistent with the Allocation Schedule.

7.4 Restrictive Covenants.

7.4.1 Acknowledgments by Sellers. Each Seller acknowledges and agrees that, as a result and as a part of its ownership of any of the Company Parties: (i) it was afforded access to Confidential Information that could have an adverse effect on Buyer and its business if it is disclosed, and that, as a condition to the consummation of the transactions contemplated hereby, it is reasonable and necessary for each Seller to promise and agree, subject to the terms and conditions herein, not to disclose such Confidential Information; and (ii) it has knowledge and expertise in the business conducted by the Company Parties that is special and unique, and that, as a condition to Buyer's consummation of the transactions contemplated hereby, it is reasonable and necessary for Sellers to promise and agree, and to cause their respective Affiliates to promise and agree, subject to the terms and conditions herein, not to compete or interfere with the conduct of the business

purchased by Buyer hereunder. Each Seller further acknowledges and agrees that the benefits provided to it under this Agreement constitute good and sufficient consideration for the agreements and covenants in Section 7.4.

7.4.2 Nondisclosure. Each Seller covenants and agrees that, after the Closing Date, it shall not, and shall cause its Affiliates not to, disclose or use, directly or indirectly, any Confidential Information, except as set forth in this Section 7.4. If the disclosure of Confidential Information is required by Law, each Seller agrees to use commercially reasonable efforts to provide Buyer an opportunity to object to the disclosure and shall give Buyer as much prior written notice as is reasonably possible under the circumstances. For purposes of this Section 7.4, "Confidential Information" means all information relating to the ER Business to the extent such information has not been disseminated to the public or is otherwise not generally known to competitors of the Company Parties, specifically including information relating to the ER Business' products, services, strategies, pricing, customers, representatives, suppliers, distributors, technology, finances, employee compensation, computer software and hardware, inventions, developments or Trade Secrets. Notwithstanding the foregoing, nothing contained in this Agreement shall prohibit either Seller from using Confidential Information solely to the extent necessary to enforce the rights of it or any of its Affiliates pursuant to any Transaction Agreement.

7.4.3 Non-Competition. Each Seller covenants and agrees that until the fifth (5th) anniversary of the Closing Date (the "Non-Competition Period"), it will not, and will cause its Affiliates not to, without the prior written consent of Buyer, either directly or indirectly, whether or not for consideration, own, operate, control, finance, manage, advise, be employed or engaged by, license any intellectual property to, perform any services for, invest in or otherwise become associated in any capacity with, any Person who engages in the business of either (x) designing, engineering, manufacturing, marketing, or selling fire truck apparatus or fire truck cab-chassis, or (y) designing, engineering, or manufacturing aftermarket parts for the foregoing, in each case, anywhere in the world. Notwithstanding the foregoing or anything to the contrary in this Agreement, nothing set forth in this Agreement shall be deemed to restrict or limit in any way the ability of either Seller and/or any of their respective Affiliates to engage in the business of (a) designing, engineering, manufacturing, marketing, selling, installing, and/or otherwise providing vehicles and/or related equipment (including aftermarket parts) within the emergency response industry other than fire truck apparatus and fire truck cab-chassis (including, for example, SWAT vehicles and related equipment), (b) providing aftermarket servicing and/or repair of any vehicle of any kind, including fire truck apparatus and/or fire truck cab-chassis, which service and repair business may include the assembly, integration, marketing, and/or sale of aftermarket parts; provided, however, that in no event will Buyer or its Affiliates have any obligation to appoint Seller or any of its Affiliates as an authorized provider of warranty repair service for any vehicle produced by ER Business, and/or (c) designing, engineering, manufacturing, marketing, selling, installing, and/or otherwise providing upfit equipment and services for any vehicle, including any fire truck apparatus and/or fire truck cab-chassis, as long as none of the activities described in this sentence involve the manufacture or sale of custom fire truck chassis or cab-chassis or the addition of a fire truck body on either a custom fire truck cab-chassis or a commercial cab-chassis.

7.4.4 Nonsolicitation; Non-Hire. Each Seller covenants and agrees that during the Non-Competition Period, it will not, and will cause its Affiliates not to, without the prior written consent of Buyer, either directly or indirectly, (i) solicit, induce, or attempt to solicit or induce, whether or not for consideration, any Covered Employee to terminate his or her relationship with Buyer or any of its Affiliates (including the Subsidiaries after the Closing); provided, however, general solicitations by either Seller or any of their Affiliates not directed at any specific Covered Employee will not violate the foregoing; (ii) hire any Covered Employee, unless such Covered Employee's employment with Buyer or any of its Affiliates was terminated by Buyer or such Affiliate; or (iii) induce or attempt to induce any Person that was a customer of the ER Business as of the Effective Time to terminate or adversely change its relationship with Buyer or any of its Affiliates (including the Subsidiaries after the Closing). Each of Buyer and Parent covenants and agrees that for a period of one (1) year following the Effective Time, it will not, and will cause its Affiliates not to, without the prior written consent of Sellers, either directly or indirectly, (i) solicit, induce, or attempt to solicit or induce, whether or not for consideration, any Person employed by Sellers on Sellers' Charlotte, Michigan campus (each, a "Charlotte Retained Employee") to terminate his or her relationship with Sellers or any of their Affiliates; provided, however, general solicitations by either Buyer, Parent or any of their Affiliates not directed at any specific Charlotte Retained Employee will not violate the foregoing; or (ii) for a period of six (6) months following the Effective Time, hire any Charlotte Retained Employee, unless such Charlotte Retained Employee's employment with Sellers or any of their Affiliates was terminated by Sellers or such Affiliate.

7.4.5 Tolling. If either Seller or any of its Affiliates violates any provisions or covenants of this Section 7.4, the duration of the restrictions in this Section 7.4 applicable to Sellers and their Affiliates will be extended for a period of time equal to that period beginning when such violation commenced and ending when the activities constituting such violation have terminated.

7.4.6 Equitable Relief. Each Seller agrees that money damages alone will not be a sufficient remedy for any breach of the provisions of Section 7.4, and that, in addition to all other remedies, Buyer will be entitled to specific performance and injunctive or other equitable relief as a remedy for any such breach by a Seller or any of its Affiliates, and each Seller hereby waives the securing or posting of any bond in connection with such remedy.

7.4.7 Reformation of Agreement. If any of the covenants contained in Section 7.4, or any portion thereof, is found by a court of competent jurisdiction to be invalid or unenforceable as against public policy or for any other reason, such court shall exercise its discretion to reform such covenant to the end that Sellers and their Affiliates shall be subject to nondisclosure, noncompetition, noninterference or other covenants, as applicable, that are reasonable under the circumstances and are enforceable by Buyer. In any event, if any provision of Section 7.4 is found unenforceable for any reason, such provision shall remain in force and effect to the maximum extent allowable and all non-affected provisions shall remain fully valid and enforceable.

7.4.8 Reasonableness of Terms. Each party stipulates and agrees that the covenants and other terms contained in Section 7.4 are reasonable in all respects, including time period, geographical area and scope of restricted activities, that Buyer would not have entered into this Agreement had Sellers not agreed to these covenants, and that the restrictions contained herein are designed to protect the businesses of Buyer, including the ER Business purchased pursuant to this Agreement, and ensure that the Confidential Information is protected and that Sellers and their Affiliates do not engage in unfair competition or solicitation against Buyer.

7.5 Employees.

7.5.1 Effective as of the Effective Time, the Company shall terminate the employment of all employees set forth on the attached Schedule 7.5.1, and Buyer shall offer employment to all of such individuals, effective as of the Effective Time. The individuals listed on the attached Schedule 7.5.1 who accept Buyer's offer of employment are referred to as the "Transferred Employees."

7.5.2 For a period starting at the Effective Time and ending one (1) year following the Effective Time (the "Continuation Period"), Buyer shall, or shall cause its Affiliates (including the Subsidiaries following the Closing) to maintain the wages and salaries of the Covered Employees that are comparable, and incentive opportunities and benefit plans, programs and arrangements (including health, welfare and retirement benefits, disability coverage and severance policies and programs (the "Buyer Plans")) for the benefit of Covered Employees that are provided by the Buyer or Parent to its employees that are similarly situated; provided, however, that this Section 7.5.2 shall not create a contract of employment for any Covered Employee, or affect the terms of any Covered Employee's service, except as specifically provided herein. From and after the Closing, Buyer shall, or shall cause its Affiliates (including the Subsidiaries following the Closing) to, (i) provide coverage for Covered Employees and their eligible dependents under its or their medical, dental and health plans without interruption of coverage (provided, however, this obligation may be met through the Transition Services Agreement); (ii) cause there to be waived any pre-existing condition, actively at work requirements, waiting periods and any other similar restriction; and (iii) cause the Buyer Plans to honor any expenses incurred by the Covered Employees and their eligible dependents under similar plans of the Sellers and Subsidiaries prior to the Closing in the plan year in which the Closing occurs for purposes of satisfying applicable deductible, co-insurance and maximum out-of-pocket expenses, and with respect to any lifetime maximums, as if there had been a single continuous employer. If Buyer or any Subsidiary terminates the employment of any Covered Employee (other than for cause) during the Continuation Period, Buyer shall, or shall cause its Affiliates (including the Subsidiaries following the Closing) to pay to such Covered Employee a severance in accordance with the severance policy described on the attached Schedule 7.5.2.

7.5.3 For purposes of eligibility, level of benefits, vesting and benefit accruals (other than benefit accruals under a defined benefit pension plan) under each Buyer Plan in which Covered Employees are eligible to participate following the Closing, Buyer shall, and shall cause its Affiliates (including the Subsidiaries following the Closing) to, give each Covered Employee full credit under each such Buyer Plan for all service with any Seller or Subsidiary, their Affiliates, and any predecessor employer prior to the Closing to the same extent as such service was recognized for such purpose by the Seller or Subsidiary and/or its Affiliates prior to the Closing; provided, however, that such service shall not be credited to the extent that it would result in a duplication of benefits.

7.5.4 Notwithstanding any other provision of this Agreement, nothing contained in this Section 7.5 shall (i) be deemed to be the adoption of, or an amendment to, any employee benefit plan, program, arrangement, contract or practice, or otherwise limit the right of Buyer or its Affiliates (including the Subsidiaries following the Closing), to amend, modify or terminate any employee benefit plan, program, arrangement, contract or practice or (ii) give any third Person any right to enforce the provisions of this Section 7.5.

7.6 Non-Assignable Assets.

7.6.1 Notwithstanding anything to the contrary in this Agreement, and subject to the provisions of this Section, to the extent the sale, assignment, transfer, conveyance, or delivery, or attempted sale, assignment, transfer, conveyance, or delivery, to Buyer of any Asset would result in a violation of applicable Law, or would require the consent, authorization, approval, or waiver of a Person (including any Governmental Authority) who is not a party to this Agreement or an Affiliate of a party to this Agreement, and such consent, authorization, approval, or waiver has not been obtained by the Closing, this Agreement shall not constitute a sale, assignment, transfer, conveyance, or delivery, or an attempted sale, assignment, transfer, conveyance, or delivery, of such Asset; provided, however, that the Closing shall occur notwithstanding the foregoing without any adjustment to the Purchase Price. Following the Closing, Sellers and Buyer shall use commercially reasonable efforts, and shall cooperate with each other, to obtain any such required consent, authorization, approval, or waiver, or any release, substitution, or amendment required to novate all Liabilities under any and all Assigned Contracts or other Liabilities that constitute Assumed Liabilities or to obtain in writing the unconditional release of all parties to such arrangements, so that, in any case, Buyer shall be solely responsible for such Liabilities from and after the Closing Date; provided, however, that neither Seller shall be required to pay any consideration therefor. Once such consent, authorization, approval, waiver, release, substitution, or amendment is obtained, the applicable Seller shall sell, assign, transfer, convey, and deliver to Buyer the relevant Asset to which such consent, authorization, approval, waiver, release, substitution, or amendment relates for no additional consideration. Applicable sales, transfer, and other similar Taxes in connection with such sale, assignment, transfer, conveyance, or license shall be paid by Sellers.

7.6.2 To the extent any Asset and/or Assumed Liability cannot be transferred to Buyer following the Closing pursuant to this Section, Buyer and Sellers shall enter into such arrangements (such as subleasing, sublicensing, or subcontracting) to provide to the parties the economic and, to the extent permitted under applicable Law, operational equivalent of the transfer of such Asset and/or Assumed Liability to Buyer as of the Closing and the performance by Buyer of its obligations with respect thereto. Buyer shall, as agent or subcontractor for Sellers pay, perform, and discharge fully the Liabilities of Sellers thereunder from and after the Closing Date. Notwithstanding anything to the contrary in this Agreement, the provisions of this Section shall not apply to any consent or approval required under any antitrust, competition, or trade regulation Law.

7.7 Accounts Receivable. From and after the Closing, if Sellers or any of their Affiliates receive or collect any funds relating to any Accounts Receivable or any other Asset, Sellers or their Affiliates shall remit such funds to Buyer within ten (10) Business Days after their receipt thereof.

7.8 Tax Matters.

7.8.1 Tax Returns. The Sellers will be responsible for the preparation and filing of all Tax Returns of the Company (including Tax Returns required to be filed after the Closing Date) to the extent such Tax Returns include or relate to the Sellers' and Subsidiaries' operation of the ER Business or use or ownership of the Assets on or prior to the Closing Date. Buyer will be responsible for the preparation and filing of all Tax Returns it is required to file with respect to Buyer's ownership or use of the Assets or its operation of the ER Business attributable to taxable periods (or portions thereof) commencing after the Closing Date.

7.8.2 Straddle Periods. In the case of any taxable period that includes (but does not end on) the Closing Date (a "Straddle Period"), any real or personal property or transfer or similar Taxes attributable to the Assets (a "Straddle Period Tax") shall be prorated between Buyer and the Sellers on a per diem basis by taking the amount of such Taxes for the entire taxable period multiplied by a fraction the numerator of which is the number of days in the taxable period ending on and including the Closing Date and the denominator of which is the number of days in such Straddle Period. The party required by Law to pay any such Straddle Period Tax shall file the Tax Return related to such Straddle Period Tax within the time period prescribed by Law and shall timely pay such Straddle Period Tax. To the extent any such payment exceeds the obligation of the filing party hereunder, such filing party shall provide the other party with notice of payment, and within five (5) days of receipt of such notice of payment, the non-filing party shall reimburse the filing party for the non-filing party's share of such Straddle Period Taxes.

Article 8
Indemnification

8.1 Indemnification of the Buyer Indemnitees. From and after the Closing, SMI and the Company, jointly and severally, shall indemnify Buyer, its Affiliates, and their respective officers, directors, employees, agents, partners, shareholders, successors and assigns (collectively, the "Buyer Indemnitees") against and hold the Buyer Indemnitees harmless from any Losses based upon, arising out of, or relating to:

(a) any inaccuracy in, or breach of, any of the representations and warranties made by either Seller in this Agreement as of the Closing Date;

(b) any breach or nonperformance of any covenant or obligation made or incurred by either Seller herein;

(c) any Excluded Liabilities; and

(d) any Fraud Claims.

8.2 Limitations on Indemnification of the Buyer Indemnitees. The indemnification of the Buyer Indemnitees provided for in this Agreement shall be subject to the following limitations:

(a) any claim by a Buyer Indemnitee for indemnification pursuant to Section 8.1(a) shall be required to be made by delivering notice to Sellers no later than the day that is fifteen (15) months after the Closing Date; provided that any claim based upon, arising out of or relating to any inaccuracy in or breach of any representation or warranty in (i) Section 3.1 (Authority; Capacity), Section 3.2 (Execution and Delivery; Enforceability) Section 3.6 (Capitalization), Section 3.16.2 (Personal Property – Title), or Section 3.31 (Brokerage) may be made at any time; (ii) Section 3.11 (Taxes) may be made at any time prior to sixty (60) days following the expiration of the applicable statute of limitations (including valid extensions thereof); or (iii) Section 3.16.3 (Personal Property –Sufficiency) shall be required to be made by delivering notice to Sellers no later than the day that is six (6) months after the Closing Date (the representations and warranties described in clauses (i), (ii), and (iii) above, collectively, the "Seller Fundamental Representations"). The covenants and agreements of Seller contained in this Agreement shall survive until fully performed in accordance with their terms;

(b) notwithstanding anything in Section 8.2 to the contrary, in the event a notice of claim is asserted by a Buyer Indemnitee related to or arising out of an inaccuracy or breach in any representation, warranty or covenant during the time periods provided for in Section 8.2(a), such representation, warranty or covenant will continue to survive until such matter has been resolved by settlement, litigation (including all appeals related thereto), or otherwise. For purposes of clarity, only a written notice of a claims needs to be given during the applicable time period, without a requirement to commence litigation. Notwithstanding anything in this Section 8.2(b) to the contrary, in the event a claim is asserted by a Buyer Indemnitee related to or arising out of an inaccuracy or breach in any representation or warranty that results from or constitutes a Fraud Claim, the representation or warranty will survive would any time limitation;

(c) except with respect to any Fraud Claims or any claim based upon, arising out of or relating to any inaccuracy in or breach of any of the Seller Fundamental Representations, the Buyer Indemnitees shall not be entitled to indemnification pursuant to Section 8.1(a) (i) for any individual or series of related Losses that do not exceed Fifty Thousand Dollars ($50,000) (which Losses shall not be counted toward the Indemnification Threshold), (ii) until the aggregate amount of all Losses for which the Buyer Indemnitees claim indemnification pursuant to Section 8.1(a) (excluding those described in the preceding clause (i)) exceeds Five Hundred Thousand Dollars ($500,000) (the "Indemnification Threshold"), and thereafter, the Buyer Indemnitees shall be entitled to indemnification pursuant to Section 8.1(a) for the full amount of all such Losses (expressly not taking into account the Indemnification Threshold), but subject to the Cap; and (iii) the maximum indemnification amount to which the Buyer Indemnitees may be entitled shall be Five Million Dollars ($5,000,000) (the "Cap");

(d) the Buyer Indemnitees shall use commercially reasonable efforts to mitigate any indemnifiable Losses incurred by them; provided that in no event shall such efforts include commencing a lawsuit, arbitration proceeding or similar type of claim or action or require the Buyer Indemnitees to take any action that would have, or is reasonably likely to have, a material and adverse effect on any material business relationship;

(e) any Losses incurred by any Buyer Indemnitee shall be calculated net of any current liability taken into account in the calculation of the Closing Working Capital to the extent such current liability specifically represents an accrual in anticipation of such Loss;

(f) no Losses may be claimed under Section 8.1 by any Buyer Indemnitee to the extent such Losses are included in the calculation of any adjustment to the Purchase Price pursuant to Article 2; and

(g) notwithstanding anything to the contrary in this Article 8, with respect to any claim based upon, arising out of or relating to any inaccuracy in or breach of Section 3.16.3 (Personal Property – Sufficiency), each Buyer Indemnitee shall use commercially reasonable efforts to allow Sellers to cure such inaccuracy or breach by providing and/or delivering to Buyer and/or its Affiliates such additional assets (in-kind) or services as may be reasonably required to cure such inaccuracy or breach. If a Buyer Indemnitee provides written notice to Sellers that it intends to make a claim pursuant to Section 8.1(a) based upon, arising out of, or relating to any inaccuracy in or breach of Section 3.16.3 (Personal Property – Sufficiency), and if the parties are unable to agree upon a mutually satisfactory remedy or course of action within five (5) Business Days after the Buyer Indemnitee provides such notice, then the Buyer Indemnitee shall not be required to provide additional time to Sellers to cure such inaccuracy or breach as contemplated by this subsection, provided that, in all events, all parties shall be held to a standard of good faith and commercial reasonableness in their actions and omissions pursuant to this subsection.

8.3 Indemnification of the Seller Indemnitees. From and after the Closing Date, Buyer and Parent shall jointly and severally indemnify each Seller, their respective Affiliates, and each of the foregoing's respective officers, directors, employees, agents, partners, shareholders, successors and assigns (collectively, the "Seller Indemnitees"), against and hold the Seller Indemnitees harmless from any Losses based upon, arising out of or relating to:

(a) any inaccuracy in or breach of any of the representations and warranties made by Buyer or Parent in this Agreement as of the Closing Date;

(b) any breach or nonperformance of any covenant or obligation made or incurred by Buyer or Parent herein;

(c) any Assumed Liabilities; and/or

(d) any Fraud Claims.

8.4 Limitations on Indemnification of the Seller Indemnitees. The indemnification of the Seller Indemnitees provided for in this Agreement shall be subject to the following limitations:

(a) any claim by a Seller Indemnitee for indemnification pursuant to Section 8.3(a) of this Agreement shall be required to be made by delivering notice to Buyer no later than the day that is fifteen (15) months after the Closing Date; provided that any claim for indemnification based upon, arising out of or related to any inaccuracy in or breach of any representation or warranty made by Buyer in Section 4.1 (Organization; Authorization), Section 4.2 (Execution and Delivery; Enforceability), or Section 4.4 (Brokerage) may be made at any time. The covenants and agreements of the Buyer contained in this Agreement shall survive until fully performed in accordance with their terms;

(b) notwithstanding anything in Section 8.4 to the contrary, in event a notice of claim is asserted by a Seller Indemnitee related to or arising out of an inaccuracy or breach in any representation, warranty or covenant during the time periods provided for in Section 8.4(a), such representation, warranty or covenant will continue to survive until such matter has been resolved by settlement, litigation (including all appeals related thereto), or otherwise. For purposes of clarity, only a written notice of a claims needs to be given during the applicable time period, without a requirement to commence litigation. Notwithstanding anything in this Section 8.4(a) to the contrary, in the event a claim is asserted by a Seller Indemnitee related to or arising out of an inaccuracy or breach in any representation or warranty that results from or constitutes a Fraud Claim, the representation or warranty will survive would any time limitation;

(c) except with respect to any Fraud Claims or any claim based upon, arising out of or related to any inaccuracy in or breach of any representation or warranty contained in Section 4.1 (Organization; Authorization), Section 4.2 (Execution and Delivery; Enforceability), or Section 4.4 (Brokerage), the Seller Indemnitees shall not be entitled to indemnification pursuant to Section 8.3(a) (i) until the aggregate amount of all of the Seller Indemnitees' claims for indemnification pursuant to Section 8.3(a) exceeds the Indemnification Threshold, and thereafter, the Seller Indemnitees shall be entitled to indemnification pursuant to Section 8.3(a) for the full amount of such Losses (expressly not taking into account the Indemnification Threshold), but subject to the Cap; and (ii) the maximum indemnification amount to which the Seller Indemnitees may be entitled shall be the Cap; and

(d) the Seller Indemnitees shall use commercially reasonable efforts to mitigate any indemnifiable Losses incurred by them; provided that in no event shall such efforts include commencing a lawsuit, arbitration proceeding or similar type of claim or action or require the Seller Indemnitees to take any action that would have, or is reasonably likely to have, a material and adverse effect on any material business relationship.

8.5 Procedures Relating to Indemnification.

8.5.1 Third-Party Claims.

(a) A party (the "indemnitee") entitled to indemnification provided for under this Agreement in respect of, arising out of, or involving a claim or demand made by any third party against the indemnitee (a "Third-Party Claim") shall promptly notify the party from whom indemnification hereunder is

sought (the "indemnitor") in writing of the Third-Party Claim and, in any event, no later than thirty (30) days after the indemnitee becomes aware of such Third-Party Claim. Such notice shall state in reasonable detail the amount or estimated amount of such Third-Party Claim, and shall identify the specific basis (or bases) for such Third-Party Claim, including the representations, warranties or covenants in this Agreement alleged to have been breached. Failure to give such notification within the thirty (30) day period referenced in this Section 8.5.1(a) shall not affect the indemnification provided hereunder except and only to the extent the indemnitor shall have been actually prejudiced as a result of such failure. Thereafter, the indemnitee shall deliver to the indemnitor, without undue delay, copies of all notices and documents (including court papers received by the indemnitee) relating to the Third-Party Claim so long as any such disclosure could not reasonably be expected, in the reasonable opinion of counsel, to have an adverse effect on the attorney-client or any other privilege that may be available to the indemnitee in connection therewith.

(b) If a Third-Party Claim is made against an indemnitee and if (i) the indemnitor irrevocably admits to the indemnitee in writing its obligation to indemnify the indemnitee for all liabilities and obligations relating to such Third-Party Claim, (ii) the indemnitor furnishes evidence of its financial capability to indemnify that is satisfactory to the indemnitee, (iii) the applicable Indemnification Threshold has been exceeded, (iv) no claim for injunctive relief is being made against the indemnitee, and (v) it is reasonably likely that the indemnitee will not suffer a Loss in excess of indemnitor's indemnification obligations hereunder, the indemnitor may elect to assume and control the defense thereof with counsel selected by the indemnitor that is reasonably acceptable to indemnitee by providing the indemnitee with notice within ten (10) days after the indemnitor's receipt from the indemnitee of notice of the Third-Party Claim. If the indemnitor assumes such defense, the indemnitee shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the indemnitor, it being understood that the indemnitor shall control such defense; provided that indemnitee's expenses of its own separate counsel shall be an indemnified Loss for purposes of this Article 8, if such counsel reasonably concludes that a conflict of interest exists between indemnitee and indemnitor that would make separate representation advisable.

(c) If the indemnitor so assumes the defense of any Third-Party Claim, all of the indemnified parties shall, at the expense of the indemnitor, reasonably cooperate with the indemnitor in the defense or prosecution thereof. Such cooperation shall include, at the expense of the indemnitor, the retention and (upon the indemnitor's request) the provision to the indemnitor of records and information which are reasonably relevant to such Third-Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. If the indemnitor has assumed the defense of a Third-Party Claim, (i) the indemnitee shall not admit any liability with respect to, or settle, compromise or discharge, such Third-Party Claim without the indemnitor's prior written consent (which consent shall not be unreasonably withheld or delayed); and (ii) the indemnitor shall not admit any liability with respect to, or settle, compromise or discharge, such Third-Party Claim without the indemnitee's prior written consent, provided that the indemnitee shall agree to any settlement, compromise or discharge of a Third-Party Claim that the indemnitor may recommend and that by its terms (x) releases the indemnitee from any liability in connection with such Third-Party Claim without cost or expense and without any admission of violation, injunction or agreement to take or restrain from taking any action or (y) could not reasonably have a material adverse impact on the indemnitee's business.

(d) If the indemnitor does not admit its obligation or admits its obligation but fails, in the reasonable determination of the indemnitee, to defend or settle the Third-Party Claim, then the indemnitee shall have the exclusive right to defend against, settle, or pay such Third-Party Claim (at the sole cost and expense of the indemnitor if the indemnitee is entitled to indemnification hereunder), with counsel of the indemnitee's choosing; provided, however, that the indemnitee shall not settle, compromise, discharge or pay any such Third-Party Claim (unless such settlement, compromise, discharge or payment will not involve any liability or other obligation on the part of the indemnitor) without the prior written consent of the indemnitor, which consent shall not be unreasonably withheld, delayed or conditioned.

8.5.2 Other Claims. In the event an indemnitee should have a claim against an indemnitor under this Agreement that does not involve a Third-Party Claim, the indemnitee shall deliver notice of such claim to the indemnitor promptly following discovery of any indemnifiable Loss and, in any event, no later than thirty (30) days following such discovery; provided that, to the extent applicable, such notice must be given not later than the last date set forth in Section 8.2 or Section 8.4, as the case may be, for making such claim. Such notice shall, to the extent known by the indemnitee at the time, state in reasonable detail the amount or an estimated amount of such claim, and shall specify, to the extent known by the indemnitee at the time, the basis (or bases) for such claim, and shall further specify the representations, warranties or covenants alleged to have been breached. Failure to give such notification within the thirty (30) day period referenced in this Section 8.5.2 shall not affect the indemnification provided hereunder, except and only to the extent the indemnitor shall have been actually prejudiced as a result of such failure. Upon receipt of any such notice, the indemnitor shall notify the indemnitee as to whether the indemnitor accepts liability for any Loss.

8.5.3 Timing and Manner of Payment. Once a Loss is agreed to by the indemnitor or finally adjudicated to be payable pursuant to this Article 8, the indemnitor shall satisfy its obligations by payment to the indemnitee in immediately available funds within twenty (20) days.

8.6 Net Losses. Notwithstanding anything to the contrary in this Agreement, the amount of any Losses incurred or suffered by an indemnitee shall be calculated after giving effect to (a) any insurance proceeds actually received by the indemnitee (or any of its Affiliates) with respect to such Losses (net of any expenses incurred in connection with obtaining such proceeds and any insurance premium increases directly resulting therefrom) and (b) any recoveries actually received by the indemnitee (or any of its Affiliates) from any other third party (net of any expenses incurred in connection with obtaining such recoveries). Each indemnitee shall exercise commercially reasonable efforts to obtain such proceeds, benefits, and recoveries, provided that in no event shall such efforts include commencing a lawsuit, arbitration proceeding, or similar type of claim or action or require the indemnitee to take any action that would have, or is reasonably likely to have, a material and adverse effect on any material business relationship. If any such proceeds or recoveries are received by an indemnitee (or any of its Affiliates) with respect to any Losses after an indemnitor has made a payment to the indemnitee with respect thereto, the indemnitee (or such Affiliate) shall pay to the indemnitor the net amount (after deducting expenses incurred in pursuing the same) of such proceeds or recoveries (up to the amount of the indemnitor's payment) within fifteen (15) days of receipt of such proceeds or recoveries.

8.7 Materiality Scrape. For purposes of this Article 8 the existence of any inaccuracy or breach of any representation or warranty contained in this Agreement, and the amount of Losses related thereto, shall be determined without regard to any qualifications therein referencing the terms "materiality" and "Material Adverse Effect," but with regard and after giving effect to any references to "Seller's Knowledge" or similar knowledge qualifications.

8.8 Offset. Buyer, on one hand, and Sellers, on the other hand, will have the right to offset any indemnifiable Losses against any payment due to Seller or its Affiliates or Buyer or its Affiliates, as the case may be (including pursuant to the Transaction Agreements but specifically excluding any payment to be made by Buyer pursuant to Section 6.1 or Section 6.2 of the Transition Services Agreement) on a dollar-for-dollar basis; provided, however, that this Section shall not be deemed to limit, supersede, or otherwise modify a party's obligations pursuant to, or any other provision of, this Article 8.

8.9 Limitation of Remedies. Each party acknowledges and agrees that from and after the Closing, the sole and exclusive remedy between the parties with respect to any and all claims relating to this Agreement or the transactions contemplated hereby (other than Fraud Claims and claims in which the remedy sought is equitable relief (including Section 7.4.6) shall be pursuant to the indemnification provisions set forth in this Article 8. Nothing set forth in this Section 8.7 shall be deemed to limit a party's remedies pursuant to any Transaction Agreement other than this Agreement.

Article 9
Construction; Miscellaneous Provisions

9.1 Notices. Any notice to be given or delivered pursuant to this Agreement shall be ineffective unless given or delivered in writing, and shall be given or delivered in writing as follows:

If to Buyer or
Parent, to: REV Group, Inc.
111 E Kilbourn Ave.
Milwaukee, WI 53202
Attn: General Counsel
Email: stephen.boettinger@revgroup.com

With a copy to: Fredrikson & Byron, P.A.
200 South Sixth Street, Suite 4000
Minneapolis, MN 55402-1425
Attention: Sean P. Kearney and Travis Anderson
Email:skearney@fredlaw.com; tanderson@fredlaw.com

If to either Seller: Spartan Motors, Inc.
41280 Bridge St.
Novi, MI 48375
Attention: Chief Legal Officer
Email: ryan.roney@spartanmotors.com

With a copy to: Varnum LLP
333 Bridge Street NW
Grand Rapids, Michigan 49504
Attention: Kimberly A. Baber
Email: kababer@varnumlaw.com

or in any case, to such other address for a party as to which notice shall have been given to Buyer and Sellers in accordance with this Section. Notices so addressed shall be deemed to have been duly given (a) on the third (3rd) Business Day after the day of registration, if sent by registered or certified mail, postage prepaid, (b) on the next Business Day following the documented acceptance thereof for next-day delivery by a national overnight air courier service, if so sent, (c) on the date sent by electronic mail, if electronically confirmed and provided that a copy of such notice was also provided pursuant to clause (b) of this sentence, or (d) when received, if personally delivered. Otherwise, notices shall be deemed to have been given when actually received at such address.

9.2 Entire Agreement. This Agreement, the Disclosure Schedules and the Exhibits hereto constitute the exclusive statement of the agreement among the parties hereto concerning the subject matter hereof, and supersede all other prior agreements, oral or written, among or between any of the parties hereto concerning such subject matter. All negotiations among or between any of the parties hereto are superseded by this Agreement, the Disclosure Schedules and the Exhibits hereto, and there are no representations, warranties, promises, understandings or agreements, oral or written, in relation to the subject matter hereof among or between any of the parties hereto other than those expressly set forth or expressly incorporated herein.

9.3 Modification. No amendment, modification, or waiver of this Agreement or any provision hereof, including the provisions of this sentence, shall be effective or enforceable as against a party hereto unless made in a written instrument that specifically references this Agreement and that is signed by the party waiving compliance.

9.4 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

9.4.1 THIS AGREEMENT AND THE LEGAL RELATIONS BETWEEN THE PARTIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW WHICH WOULD REQUIRE THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

9.4.2 EACH OF THE PARTIES HERETO IRREVOCABLY CONSENTS TO THE EXCLUSIVE JURISDICTION AND VENUE OF THE state or FEDERAL courts sitting in THE STATE OF DELAWARE IN CONNECTION WITH ANY MATTER BASED UPON OR ARISING OUT OF THIS AGREEMENT OR THE MATTERS CONTEMPLATED HEREIN, AGREES THAT PROCESS MAY BE SERVED UPON THEM IN ANY MANNER AUTHORIZED BY THE LAWS OF THE STATE OF DELAWARE FOR SUCH PERSONS AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, AND COVENANTS NOT TO ASSERT OR PLEAD ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

9.4.3 EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THE ACTIONS OF BUYER, THE COMPANY OR SELLERS IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT HEREOF.

9.5 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of each of the parties hereto and their respective successors and permitted assigns.

9.6 Headings. The Article and Section headings used in this Agreement are intended solely for convenience of reference, do not themselves form a part of this Agreement, and may not be given effect in the interpretation or construction of this Agreement.

9.7 Number and Gender; Inclusion. Whenever the context requires in this Agreement, the masculine gender includes the feminine or neuter, the feminine gender includes the masculine or neuter, the neuter gender includes the masculine or feminine, the singular number includes the plural, and the plural number includes the singular. In every place where it is used in this Agreement, the word “including” is intended and shall be construed to mean “including, without limitation.”

9.8 Counterparts. This Agreement may be executed and delivered in multiple counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. A facsimile or other electronic copy of a signature shall be deemed an original for purposes of this Agreement.

9.9 Third Parties. Nothing in this Agreement, express or implied, is intended to or shall be construed to confer upon any Person, other than the parties hereto and their respective successors and permitted assigns, any legal or equitable right, benefit or remedy of any nature under or by reason of this Agreement and except in respect of Article 8, as it relates to the Buyer Indemnitees and the Seller Indemnitees who are not otherwise parties to this Agreement.

9.10 Time Periods. Any action required hereunder to be taken within a certain number of days shall, except as may otherwise be expressly provided herein, be taken within that number of calendar days; provided, however, that if the last day for taking such action falls on a Saturday, a Sunday, or a U.S. federal legal holiday, the period during which such action may be taken shall automatically be extended to the next Business Day.

9.11 Joint and Several Liability. Parent and Buyer shall be jointly and severally liable to each Seller for the full and prompt payment, performance, and satisfaction of all of Buyer's obligations, covenants, agreements, and other Liabilities pursuant to this Agreement.

[*Signature Pages Follow*]

INTENDING TO BE LEGALLY BOUND, the parties have executed and delivered this Asset Purchase Agreement as of the date first written above.

BUYER:
Spartan Fire, LLC

By: /s/ Dean J. Holden
Name: Dean J. Holden
Its: Chief Financial Officer

PARENT:
REV Group, Inc.

By: /s/ Dean J. Holden
Name: Dean J. Holden
Its: Chief Financial Officer

SMI:
Spartan Motors, Inc.

By: /s/ Ryan L. Roney
Ryan L. Roney, Secretary

COMPANY:
Spartan Motors USA, Inc.

By: /s/ Ryan L. Roney
Ryan L. Roney, Secretary

Exhibit 10.25

January 21, 2020

Jon Douyard
23945 W. Woodway Lane
Woodway, WA 98020

Dear Mr. Douyard,

On behalf of Spartan Motors, Inc. (the "Company") we would be pleased if you would join our Spartan Motors team.

This letter is to confirm an offer of employment with the Company in the position Chief Financial Officer, reporting to Daryl Adams, President and CEO. This is a Section 16 Executive Officer position.

The following outlines the components of our offer of employment:

1. Base Salary - Your bi-weekly base salary will be $16,346.15 which annualized equals $425,000.

2. Incentive Compensation - You are approved to participate in the Spartan Motors, Inc., Leadership Team Compensation Plan (the "Plan"), for the current performance year. Participation in one performance year does not guarantee participation in a subsequent performance year, as the Plan is discretionary as approved by the President and Chief Executive Officer and Human Resources & Compensation Committee (the "Committee"). There are two sub-elements of the Plan as set forth below:

a. *Annual Incentive Compensation Element of the Plan* - This incentive bonus is based upon the Company's overall financial performance, and performance relative to operational objectives. The target level for this bonus in your position (Tier 1) is 60% of your annual base salary. The actual payout depends on the company's financial performance and your individual achievement of goals and objectives.

b. *Long-Term Incentive Compensation Element of the Plan* - Discretionary equity awards are to be granted by the Committee on an annual basis. Restricted Stock Unit ("RSU") and Performance Stock Unit ("PSU") grants are awarded solely within the discretion of the Committee, and are not guaranteed.

Your Long-Term Incentive Compensation is based on your level within the Plan. For your position, the Long-Term Compensation Bonus Target Percentage is 100% of your annual base salary. Notwithstanding the foregoing, the final Long-Term Compensation Bonus Percentage is subject to annual review, approval and discretion by the Committee.

The grants described above are subject to the terms of the Plan and applicable award agreements.

3. Sign-on Bonus Equity - You will receive a sign-on bonus of 20,000 shares of Spartan Motors Restricted Stock ("RS") which will be granted effective on or around your start date (subject to start date no later than end March). These shares will be subject to pro-rata vesting with three tranches vesting 33% per year for the three (3) years following the award. In order to receive each tranche of restricted shares, you must be employed at the time of vesting. The grants described above are subject to the terms of the Plan and applicable award agreements.

Sign-on Bonus Cash - You will receive a sign-on bonus in cash of $175,000 (gross) which will be paid between 1 January 2021 and 31 January 2021. If you are separated from the company with cause or resign your employment, the cash portion of the sign-on bonus is subject to repayment by you to the company as follows: (1) if such separation or resignation occurs within one year or less, you must repay the entire amount of the bonus; or (2) if such separation or resignation occurs within two years or less, but after you have been employed for more than one year, you must repay one-half of the amount of the bonus. If repayment is necessary, such amount shall be paid in cash to the company within 10 days after demand.

4. Vacation - You will receive four (4) weeks of vacation annually. Spartan's vacation accrual starts on January 1, and ends on December 31, of the calendar year. You will accrue at 3.08 hours per week. If your employment ends within one year of your date of hire (with or without cause), you will not be paid for unused vacation.

5. Health and Welfare Benefits - You also may elect selected medical benefits upon your date of hire, subject to a customary waiting period. Spartan Motors offers one PPO plan and two different High Deductible Plans with optional HSAs. There are also dental and vision plans available in addition to the health plan offerings. A brochure of Company benefits offerings will be provided.

As a Section 16 Officer, you may also elect to have Executive Concierge Medical & Supplemental Benefits.

6. Retirement Plan - You will also be automatically enrolled at 3% in the Spartan Motors Retirement Plan, a 401(k) Plan, the first day of the month following sixty (60) days of employment. Spartan Motors matches 50% of the associate's contribution up to the first 6%. If you have an existing balance in a 401(k) plan and wish to roll it over, information can be obtained from our Human Resources Department.

7. Non-compete - Due to your role within Spartan Motors, your employment will be conditioned upon your signing a standard non-compete agreement with typical covenants no later than your start date.

8. Severance – If you are separated from the Company without cause you will receive a twelve (12) month severance of your then-current base salary pursuant to the Company's Management Severance Plan. All of the terms regarding severance are set forth in the Management Severance Plan.

9. Relocation – You may elect to receive Executive Relocation reimbursement (with temporary living consideration) benefits up to a value of $150,000 pursuant to the Company Relocation Plan.

This letter is not an employment contract. Your employment with the Company will be "at will," meaning that either you or the Company will be entitled to terminate your employment at any time and for any reason, with or without cause and with or without notice, without liability to you other than as expressly provided in this offer. If you agree to the terms of this offer and commence employment, a contract of employment is not created. Any contrary representations, which may have been made to you, are superseded by this offer. This is the full and complete outline of your offer between you and the Company regarding employment. Although your job duties, title, compensation and benefits, as well as the Company personnel policies and procedures, may change from time to time (subject to your rights hereunder in any such event), the "at will" nature of your employment may only be changed in an express written agreement signed by you and a duly authorized member of Management.

By signing this offer, you represent and warrant to the Company that you are under no contractual commitments inconsistent with your obligations to the Company. While you are a full-time employee of the Company, you will abide by your duty of loyalty to the Company and will devote your full time, energy and attention to the interests of the Company, subject to your devotion of time to manage your personal assets and investments, to participate in charitable, professional and community activities, provided such devotion of time does not materially interfere with your service to the Company.

As we discussed, all of these elements of your offer are subject to you beginning your employment with Spartan Motors on a mutually agreeable date.

Spartan Motors has a Confidentiality Agreement and background check form that will require your signature and this job offer is pending and conditioned on the results of this check.

Spartan Motors, Inc. is a drug-free workplace and tobacco-free campus. In support of these initiatives, you will be subject to random drug testing during the first year of your employment.

The final terms of your employment shall be subject to the advance approval of the Spartan Motors Human Resources and Compensation Committee.

If the above terms and conditions of our offer of employment are acceptable, please place your signature, date below, and return a scanned copy to my attention. Also, please mail the originally signed letter to my attention.

If you have any questions concerning this letter, please do not hesitate to contact me through my contact information previously supplied.

Lastly, in anticipation of your acknowledgment of this offer, we wish you every success as you join the Spartan Motors team. Acknowledgment is requested in accordance with dates that have been discussed with you.

Sincerely,
SPARTAN MOTORS, INC.

/s/ Thomas C. Schultz
By: Thomas C. Schultz
Its: Chief Administrative Officer

Acknowledged and agreed to the 21st day of January, 2020

/s/ Jonathan C. Douyard
Jonathan C. Douyard

EXHIBIT 21

SUBSIDIARIES OF SPARTAN MOTORS, INC.

Name of Subsidiary	Jurisdiction of Incorporation /Organization
Spartan Motors USA, Inc.	South Dakota, United States
- Utilimaster Services, LLC	Indiana, United States
- Spartan Upfit Services, Inc. dba Strobes-R-Us	Michigan, United States
- Spartan-Gimaex Innovations, LLC	Delaware, United States
- Spartan Motors GTB, LLC	Michigan, United States
- Fortress Resources LLC dba Royal Truck Body	California, United States
- Royal at McClellan Park LLC	Michigan, United States
Spartan Motors Global, Inc.	Michigan, United States
- Spartan Motors Mexico, LLC	Michigan, United States

Exhibit 23

Consent of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Spartan Motors, Inc.
Novi, Michigan

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-98083, 333-177088, 333-183871 and 333-213581) of Spartan Motors, Inc. of our reports dated March 16, 2020, relating to the consolidated financial statements and financial statement schedule, and the effectiveness of Spartan Motors Inc.'s internal control over financial reporting, which appear in this Form 10-K. Our report on the effectiveness of internal control over financial reporting expresses an adverse opinion on the effectiveness of Spartan Motors Inc's. internal control over financial reporting as of December 31, 2019.

/s/ BDO USA, LLP

Grand Rapids, MI
March 16, 2020

EXHIBIT 31.1

CEO CERTIFICATION

I, Daryl M. Adams, certify that:

1. I have reviewed this annual report on Form 10-K of Spartan Motors, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2020

/s/ Daryl M. Adams
Daryl M. Adams
President and Chief Executive Officer
Spartan Motors, Inc.

EXHIBIT 31.2

CFO CERTIFICATION

I, Frederick J. Sohm, certify that:

1. I have reviewed this annual report on Form 10-K of Spartan Motors, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2020

/s/ Frederick J. Sohm
Frederick J. Sohm
Chief Financial Officer
Spartan Motors, Inc.

EXHIBIT 32

CERTIFICATION

Solely for the purpose of complying with 18 U.S.C. § 1350, each of the undersigned hereby certifies in his capacity as an officer of Spartan Motors, Inc. (the "Company"), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 that:

1. The Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) of the Securities and Exchange Act of 1934 (15 U.S.C. 78m); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for such period.

Date: March 16, 2020

/s/ Daryl M. Adams
Daryl M. Adams
President and Chief Executive Officer

Date: March 16, 2020

/s/ Frederick J. Sohm
Frederick J. Sohm
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.